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Strategy for UK receivers

Page 7

Storm waters

Iraqi anxiety at Euphrates project

Page 3

Edward Mortimer

Bonn embarks on troop manoeuvres

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FT 500

Winners and losers in the corporate league

Separate Section

FT NEWSPAPER of THE YEAR

FINANCIAL TIMES

Europe's Business Newspaper WEDNESDAY FEBRUARY 10 1993 D8523A

UN peace force of 25,000 needed for Bosnia plan

The international community will have to make an exceptional effort to ensure that any Bosnia peace settlement is effectively implemented, according to a report by UN secretary-general Boutros Boutros Ghali.

International mediators Cyrus Vance and Lord Owen told the Security Council their peace package would require 15,000 to 25,000 UN troops. Page 14

Craxi urged to quit: Bettino Craxi, under investigation for alleged corruption, is being pressed to step down as leader of Italy's Socialist party. Page 14

EC steel rescue plan: European commissioners began preparing a draft rescue plan for the European steel industry which will involve cutting overcapacity. Page 14; Washington in steel row, Page 4

Expo failings alleged: British companies have accused the UK Department of Trade and Industry of mismanaging the British pavilion at Expo 92 in Seville, Spain. Page 5

Ivan the Terrible's treasures found

Russian archaeologists believe they have found the library and treasures of 16th-century Tsar Ivan the Terrible (left) in a labyrinth of tunnels under the site of his palace at Alexandrov, north of Moscow. Ivan laid the foundations of the modern Russian state in a series of ruthless conquests.

Cuts at White House: US president Bill Clintoo said White House staff would be cut by 25 per cent by October 1. Page 4

Reuters Holdings, business information and news group, increased profits 12.6 per cent last year to £383.2m ($547m) and raised its dividend by 24.7 per cent, in spite of continuing difficulties facing its main financial customers. Page 15; Lex, Page 14

IBM, US computer maker, unveiled 18 new machines which are intended to persuade customers mainframe computers will remain an important feature of corporate data processing. Page 15

British soldier killed: One of seven soldiers injured in a triple bomb attack by the IRA on an army patrol in Armagh died in hospital.

Gas regulator to go early: UK gas industry regulator Sir James McKinnon is to step down in September almost a year before the end of his contract. Page 6; Lex, Page 14

Noranda, Canadian resources group, controlled by the Bronfman family, is selling its 49 per cent stake in MacMillan Bloedel, Vancouver-based forestry group. Page 15

G7 meeting in London: Finance ministers and central bank governors of the Group of Seven leading industrial nations are to meet in London on February 27, the UK Treasury said. Page 2

Brazil sends up satellite: Brazil launched its first satellite. It will be used for collecting meteorological and environmental data about the Amazon rainforest. Page 4

Chung quits politics: Chung Ju-yung, Hyundai business group founder and chairman of South Korean United People's party, said he was retiring from politics. He is accused of receiving more than $60m in illegal campaign funds from Hyundai's shipbuilding unit. Page 3

Axa, one of the largest French insurance groups, saw shares slide FFr28 to FFr1,114 ($206) on news of a fall in net profits for 1992 and of a FFr3.65bn convertible bond issue to strengthen Equitable Life, its US associate. Page 13; Lex, Page 14; World stocks, Page 35

Keating's tax cut pledge: Australian prime minister Paul Keating, launched his election campaign with a promise to cut the company tax rate from 39 to 33 per cent. Page 3; Sell-off plans, Page 19

Ericsson, Swedish telecommunications group, recorded a better than expected 1992 profit of SKr1.30bo ($180m). Page 16

News Corp lifts dividend: International media group News Corporation, controlled by Rupert Murdoch, is to raise its dividend 20 per cent following six-mooth net earnings almost douhled et A$490.1m ($331.10m). Page 19

■ STOCK MARKET INDICES		
FT-SE 100:	2,831.3	(−38.7)
Yield	4.32	
FT-SE Eurotrack 100	1,124.14	(−6.98)
FT-A All-Share	1,381.38	(−1.2%)
Nikkei	17,622.27	(−259.46)
New York lunchtime		
Dow Jones Ind Ave	3,423.23	(−14.31)
S&P Composite	445.78	(−2.07)
■ US LUNCHTIME RATES		
Federal Funds:	2⅞%	
3-mo Treas Bills: Yld	2.963%	
Long Bond	105½	
Yield	7.196%	
■ LONDON MONEY		
3-mo Interbank	6¼%	(6 5/16%)
Liffe long gilt future:	Mar 101 ½	(Mar 101 ⅜)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Mar)	$18.25	(18.425)
■ Gold		
New York Comex (Feb)	$329.4	(328.9)
London	$329.15	(Same)

■ STERLING		
New York lunchtime:		
$	1.42925	
London:		
$	1.4305	(1.4395)
DM	2.3625	(2.3825)
FFr	7.9875	(8.0575)
SFr	2.1875	(2.205)
Y	173.5	(178.5)
£ Index	76.6	(77.2)
■ DOLLAR		
New York lunchtime:		
DM	1.65375	
FFr	5.6085	
SFr	1.532	
Y	121.45	
London:		
DM	1.652	(1.6545)
FFr	5.59	(5.5975)
SFr	1.529	(1.532)
Y	121.25	(123.95)
$ Index	67.0	(67.4)
Tokyo close Y 122.35		

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft192	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lw25.00	India	Rs40	Neth	Fl 3.75	Slovak Rp	Kcs45
Cyprus	C£1.00	Indonesia	Rp3900	Nigeria	Naira20	Spain	Pta200
Czech Rp	Kcs45	Israel	Shk5.90	Norway	NKr16.00	Sweden	SKr15
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Switz	SFr3.20
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Syria	S£50.00
Finland	FM12	Korea	Won 2500	Philippines	Peso45	Thailand	Bht60
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	UAE	Dh11.00

Autobahn drivers to pay fee in privatisation plan

GERMANY'S RULING coalition yesterday approved plans to privatise its 11,000km of motorways and charge foreign and domestic motorists for their use.

Under the plan German motorists are to be charged an annual fee from next January for using the country's autobahn network. Foreign motorists passing through will be required to pay a fee and display window stickers to drive on an autobahn.

The fee is to be introduced next January, and will be in addition to the normal car tax paid by German motorists. A commission headed by the transport ministry has until March 10 to examine the users' fee. Last Friday Mr Günther Krause, the transport minister, drew sharp criticism when he said he was considering a fee of up to DM400 ($253).

The move to charge for using German autobahns, which lie at the heart of Europe'e high-speed road transport system, is expected to run into resistance from ordinary motorists as well as the German car industry.

Ariane Genillard in Bonn reports on coalition plans to help finance the restructuring of the railways

Plans to introduce a similar system for trucks was abandoned last year after opposition from Brussels and the motor industry.

The government, which is struggling to reduce a large deficit and find funds to rebuild east Germany, is pursuing privatisation to raise additional revenue.

The move is intended to help finance the urgently-needed restructuring of the loss-making railways.

The German rail system, which has recorded profits only once since the second world war, is expected to be saddled with a DM60bn debt by the end of the year. Its 1992 loss is estimated at around DM14bn.

"To finance the reforms of the rail system, the coalition parties have agreed to the eventual privatisation of the motorway network," said Mr Dieter Vogel, the government spokesman for the three-party coalition.

The government hopes that a levy will encourage travellers to switch from motorways to trains.

Although no details were released as to when or how the government would privatise the national road network, e government official said the first step would be to ensure that projects for modernising motorways in the east were privately financed.

Earlier last year, the government discussed what it called a "concessionary" model, in which private groups could finance and build rail and road projects on the government's behalf.

The idea is to be tested on two projects in the west of the country – a DM3bn stretch of railway between Munich and Nuremberg and a road tunnel on the A81 motorway near Stuttgart.

Pound falls sharply on fears over inflation

By Peter Marsh and James Blitz

■ Dealers' view of sterling
■ UK producer prices Page 6
■ Lex Page 14
■ Currencies Page 32

STERLING FELL sharpiy yesterday oo signs that UK inflationary pressures may be strengthening and on growing international disenchantment about prospects for recovery in Britain.

Investors from the US, the Middle East and Far East sold pounds for other currencies, pushing sterling to a record low on its trade-weighted index and close to its lowest ever level against the D-Mark.

Share prices on the London stock exchange dropped on speculation that the falling pound might limit the government's room to cut interest rates.

A big factor swaying sentiment was news of the unexpectedly strong inflationary pressures last month arising from higher import costs, triggered by the pound's 15 per cent devaluation since it left the European exchange rate mechanism in September.

Any sign that inflation in the UK is strengthening could dissuade the government from a further cut in base rates from 6 per cent, in spite of calls from many City economists and industrialists for an easing in borrowing costs to help demand.

Mr Norman Lamont, the UK chancellor, is expected to come under pressure from the British Treasury's new panel of outside economic advisers for an early cut in base rates, possibly around the time of the Budget on March 16.

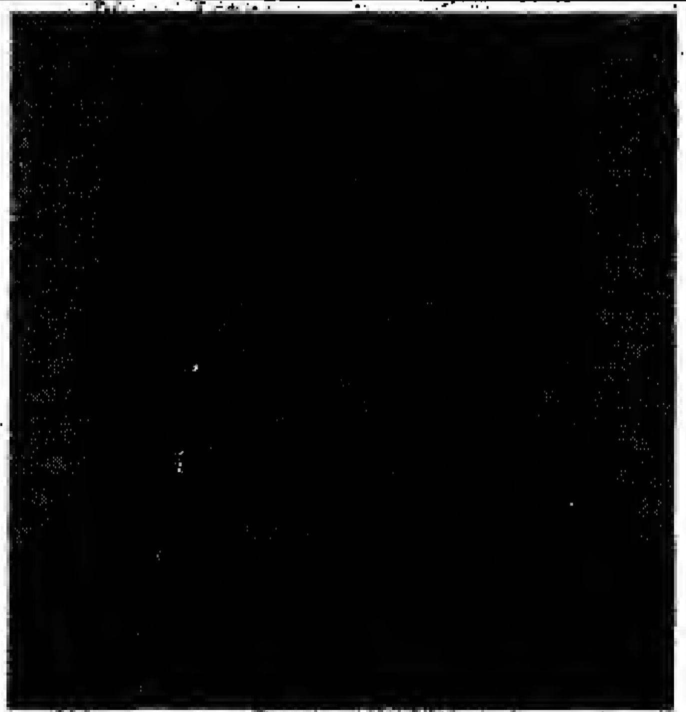
Mr Eddie George, deputy governor of the Bank of England who takes over in July as governor, is expected in a speech in Frankfurt tomorrow to sound e warning note about inflation in his first policy address since news last month of his promotion.

After the heavy selling of sterling, the currency hit a low of 76.2 on its trade-weighted index, which measures its value against a basket of currencies. It closed slightly higher at 76.6, from 77.2 on Monday night.

Against the D-Mark, the pound came within a tenth of pfennig of its historic low of DM2.3480 reached last Wednesday amid an earlier bout of selling. Profit-taking saw sterling climb back slightly, to a London close of DM2.3625 and for an overall loss on the day of 2 pfennigs, after a 3-pfennig drop on Monday. The pound also lost further ground against the dollar, closing down nearly 1 cent at $1.4305.

The heavy selling on the London stock market reflected the dropping pound, together with worries about a possible spate of rights issues. The FT-SE 100 index of leading shares closed 38.7 lower at 2,831.3. Investor sentiment was depressed by e pessimistic tone to early Wall Street trading, with the Dow Jones Industrial Average being qooted at midday New York time at 3,424.85, down 12.89.

Mr George Magnus, international economist at S.G. Warburg Securities, the Londoo investment house, said: "Sterling's torrid performance is a reminder that there is as yet no confidence in the financial community of a cyclical recovery in the UK."



French finance minister Michel Sapin: other countries not excluded

Sapin seeks closer ties with Germany

By Alice Rawsthorn in Paris and Quentin Peel in Bonn

MR Michel Sapin, the French finance minister, pledged his commitment yesterday to closer monetary co-operation with Germany. But finance ministry officials rejected speculation that Bonn and Paris might permanently fix a rate between their currencies.

Senior officials at the French finance ministry confirmed that the two countries did envisage closer co-operation on questions such as intervention in the foreign exchange markets, but without specific measures to formalise their ties.

At the same time, senior officials in Bonn cautioned strongly against expectations of a "fast track" monetary union between the D-Mark and the French franc, or between the five inner core currencies of the European Monetary System, before the strict economic convergence criteria of the Maastricht treaty had been fulfilled.

They said the Bundesbank and Chancellor Helmut Kohl had repeatedly stressed the need to fulfil the convergence requirements, including lower inflation, sharply reduced budget deficits, and strict control over state debts. Germany itself faces difficulty fulfilling the first two criteria before 1996.

The comments come at a time of persistent speculation, particularly in Paris and Brussels, about the possibility of France and Germany stepping up monetary co-operation if the continued instability of the foreign exchange markets threatens the

Continued on Page 14
Background, Page 2

Japanese aim to ease tension over trade on US visit

By Michiyo Nakamoto in Tokyo

MR Yoshiro Hayashi, the Japanese finance minister, will try to defuse mounting trade tension with the US when he meets Mr Lloyd Bentsen, the US treasury secretary, in Washington at the weekend.

Mr Hayashi is expected to relay Tokyo's objection to US proposals to raise tariffs on minivans and multipurpose vehicles from 2.5 per cent to 25 per cent.

Mr Yoshiro Mori, the international trade and industry minister, yesterday called on the US to act sensibly in dealing with the proposed tariff increase, and said he would be willing to travel to the US ahead of Mr Kiichi Miyazawa, the prime minister, to discuss various trade issues including the minivan tariffs.

Mr Mori's initiative comes as Mr Michio Watanabe, deputy prime minister and foreign minister, prepares for a three-day visit to the US starting tomorrow.

Mr Watanabe is expected to focus on political issues, but discussions between Mr Hayashi and Mr Bentsen are set to touch on trade, including Japan's growing surplus with the US and efforts to end successfully the Uruguay Round of the General Agreement on Tariffs and Trade.

Japan has become increasingly concerned about Washington's position on trade. As well as the minivan issue, the Japanese are worried that they are being pushed into bilateral talks with the US on matters better dealt with through a multilateral forum such as Gatt, including the opening of Japan's rice market.

Japan also believes that preliminary anti-dumping duties imposed on Japanese steel imports by the US Commerce Department undermine international efforts to work towards fair trade in steel.

Japan's Iron and Steel Federation yesterday said it had sent e position paper to US government and congressional leaders seeking their support in the anti-dumping action, and stressing the importance of the multilateral steel agreement.

Cars row, Page 4
Editorial Comment, Page 13
Rescue plan for EC steel, Page 14

Yen rallies

THE YEN enjoyed a remarkable rally against the D-Mark and the dollar yesterday on speculation that the US would call for a stronger Japanese currency at the trade talks, wriles James Blitz.

The yen closed at Y73.42 against the D-Mark from a previous close of Y74.91, the first substantial move in its exchaoga rata in several months. Against the dollar, the yen closed at Y121.2 against a previous close of Y124.0.

Reports that Mr Lloyd Bentsen, US Treasury secretary, would meet Mr Yoshiro Hayashi, Japanese finance minister, raised speculation that the Clinton administration would like to see a stronger yen.

Sears Roebuck plunges into loss of $3.93bn for 1992

By Laurie Morse in Chicago

SEARS ROEBUCK, the troubled US retail groop, yesterday reported a plunge into net losses of $3.93bn for 1992 from profits of $1.3bn the year before.

This is one of the biggest reversals in US corporate history and rivals IBM's recently reported record loss of $4.96bo for the year.

The result was expected by Wall Street, as Sears had disclosed it would take a $1.72bn charge for restructuring its merchandising operatioos and e $206.7m writedown on its Homart Development property business.

Sears also took a $1.65bn after-tax charge for losses incurred by its Allstate Insurance subsidiary from claims relating to hurricanes Andrew and Iniki. Analysts had expected a $1.25bn charge.

The group also recorded a $1.87bo charge for required accounting changes, and a gain of $86.6m on the sale of minority interests in two companies.

For the fourth quarter, Sears' net losses came to $1.80bn compared with profits of $513.1m. Sears' stock remained unchanged on the news, at $49¾ at midday.

Income at the group's merchandise groops sagged. Excluding unusual items, the retail operation recorded profits of $264.9m, down from $486.3m in 1991. Sears said disappointing automotive operations and low overall margins cut profits. The losses at Sears' catalogue operations deepened to $159.8m from $144.7m.

Last month Sears announced it would streamline its merchandising operations by closing unprofitable stores, shutting its loss-making catalogue business and eliminating about 16,000 full-time and 34,000 part-time staff.

These cuts followed its decision in October to spin off its Dean Witter Financial Services and Coldwell Banker property broking businesses to concentrate on retailing and insurance.

Sears yesterday reported Dean Witter's and Coldwell Banker's results as discontinued operations, with a combined contribution to profits of $506.9m, up from $363.3m in 1991.

Allstate Insurance reported profits of $1.17bn – excluding the impact of Hurricane Andrew and the accounting charges – up from $722.5m in 1991. Allstate's life insurance profits were down, at $89.9m compared with $165.6m in 1991, but its property liability underwriting expanded profitably, to $1.01bn from $557m.

Dean Witter Financial Services reported a 19.4 per cent rise in profits to $411.4m from $344.6m. Profits of Dean Witter's credit operations rose 21 per cent to $209.3m before extraordinary items from $173.6m.

CONTENTS

Germany urged to restore 40-hour week

By Quentin Peel in Bonn

A LEADING German industrialist sought yesterday to reverse the trend to shorter working hours and called for the return of the 40-hour week.

Mr Hans-Peter Stihl, president of the German chambers of industry and commerce, said Germany had the shortest working times, the longest holidays and the youngest pensioners.

Moves to shorten the German working week are still taking place despite growing unemployment. Engineering workers, for example, are due this year to cut their working week from 37 to 36 hours.

Mr Stihl conceded unions would probably block a return to a 40-hour week, but said there was more chance than of getting Germans to retire later. "Retirement under 60 must become a thing of the past. Otherwise Germany will be sent into retirement in terms of international competition."

Meanwhile, the German government yesterday told employers that its solidarity pact for east Germany was on course, with a supplementary budget and savings package ready to become law by the middle of the year.

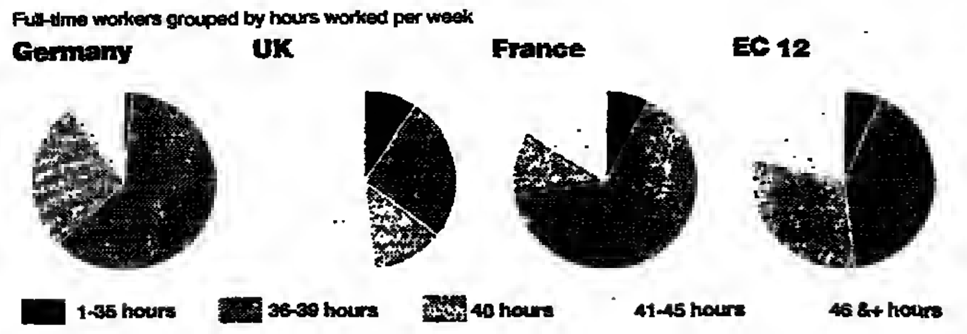
Mr Friedrich Bohl, minister of state in Chancellor Helmut Kohl's office, sought to reassure members of the German employers' federation (BDA) that negotiations with the 16 federal states could produce a deal on sharing the burden of subsidies to the east by mid-March. The financial agreement between the central government and the federal states is the most complex item still to be finalised in the proposed solidarity pact. The other major element where agreement is outstanding is a deal with unions to slow the growth of wages in east Germany, in exchange for government subsidies to keep traditional industries in operation.

Mr Bohl told the BDA that the government would put its savings package – intended to save up to DM20bn a year by 1995 – and its supplementary budget to cabinet on March 4.

He said the government was still ready to compromise on the details when it would meet the 16 states for a two-day session of talks on March 11-12. He urged state premiers to show a similar willingness to find common ground.

European employment

Full-time workers grouped by hours worked per week



Source: Eurostat

EC plans stir up motorcycle hornets' nest

By John Griffiths

A EUROPEAN Commission draft directive, which, in effect, dictates to motorcycle manufacturers the detailed design of their engines, and even the type and quality of metals they may use for some components, is causing an outcry throughout the industry and among user groups.

The directive, so detailed that it specifies such engineering parameters as gasket thicknesses, inlet port design and ignition system operation, is intended to prevent owners "tuning" their machines to obtain more power.

But it would have an impact, with as yet unforeseen effects, on the design, development, marketing and other commercial fortunes of all manufacturers seeking to sell their machines in the EC.

Motorcycle industry and user groups, now lobbying fiercely against its adoption, insist that Brussels bureaucrats are exceeding their competence.

"The Commissioners are not qualified to be motor cycle designers but that's what their detailed proposals infer", according to the British Motorcyclists' Federation, one of several European lobby groups. Mr Graham Sanderson, federation spokesman, said: "It graphically illustrates why so many European citizens are concerned about the Maastricht treaty and the further ceding of power to the Commission."

The required technical specifications for engine manufacture make up an addendum of six closely-typed pages.

Mr Sanderson's remarks came as the European parliament was resuming the first reading of another motorcycle-related bill, under which the Commission is seeking to adopt a directive restricting motorcycles to no more than 100 brake horsepower.

If adopted, this would prohibit the sale in EC markets of the more powerful machines produced by some European manufacturers, as well as the big Japanese makers, Honda, Yamaha, Suzuki and Kawasaki who dominate the world's motor cycle markets.

In the case of Triumph, the reborn UK motor cycle manufacturer currently expecting to produce nearly 7,000 motorcycles this year, five of its eight models would become illegal within the EC.

The Commission is pushing for the adoption of both directives on the grounds that they would improve the generally poor safety record of motorcycles and mopeds.

The 100 brake horsepower directive has already bit opposition in the European parliament, whose economic and industry policy committee has already rejected it once. The "anti-tampering" directive has yet to reach the parliament but is expected to do so within the next few weeks.

The directive's opponents warn that, if adopted, it could set a precedent for similar intervention in car engineering and development.

Austrian banker attacks UK devaluation

By David Gardner in Strasbourg

AUSTRIA'S central bank governor yesterday joined the attack on "competitive devaluations" by some EC member states – led by the UK – describing any consequent benefits for export industries as "a flash in the pan".

Dr Maria Schaumayer, addressing the currency conference of the European Parliamentarians and Industrialists Council in Strasbourg, praised the Franco-German co-operation in defence of the franc.

Dr Schaumayer said the devaluations could be a threat to the single market. For example member states would not readily take Japanese cars from another state which had made them cheaper through devaluation. Britain, Italy, Ireland, Spain and Portugal have all been forced to devalue in recent months.

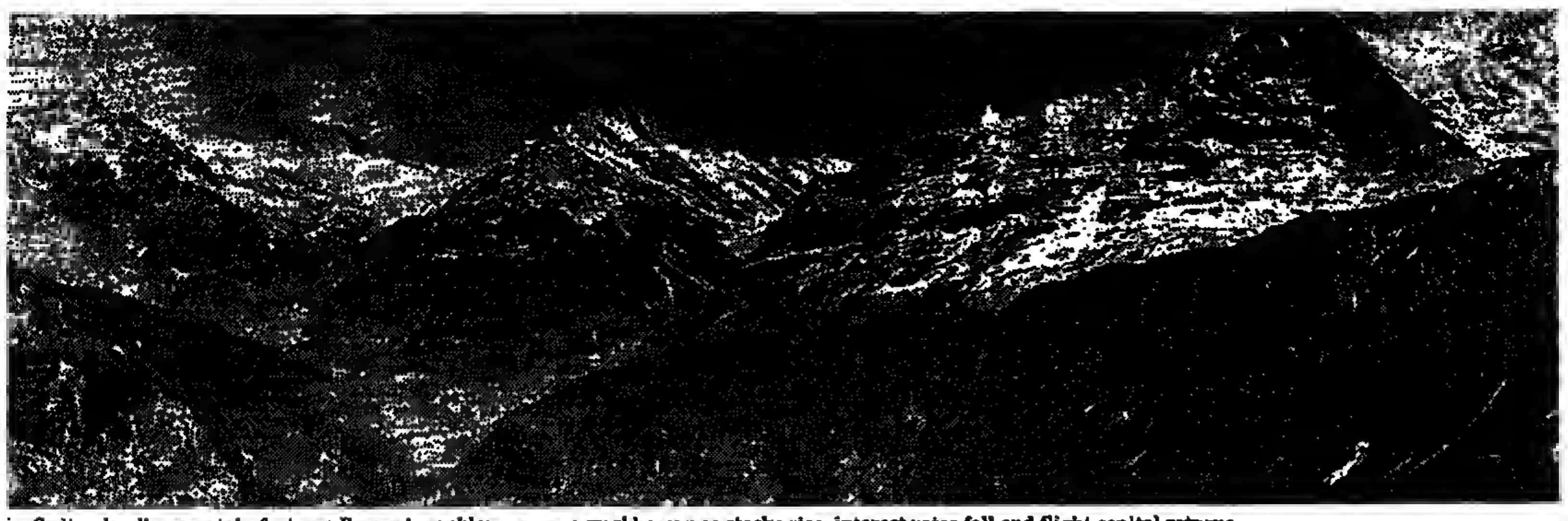
Austria's schilling is pegged to the D-Mark, and has appreciated slightly against it over the past 11 years; since chaos erupted on currency markets last September, there has been an inflow of capital into the schilling, Dr Schaumayer said.

Austria last week opened negotiations on joining the EC and hopes to be a member by 1995. It would be a candidate to join the "hard core" states of Germany, France and the Benelux countries were they to opt for limited monetary union without the other EC members.

Dr Schaumayer's comments follow a recent attack by French prime minister, Mr Pierre Bérégovoy, on Britain for pushing down the value of the pound at the expense of other EC states.

The European parliament's monetary affairs committee is also underlining the threat to the single market, the ERM and Emu from competitive devaluations.

In a report, Dutch socialist Euro-MP Alman Metten, calls for a big EC growth package, and urges member states to agree with the US and Japan "target zones for currency parities of the dollar, yen, Ecu or D-Mark."



In Switzerland's mountain fastness Europe's problems seem a world away as stocks rise, interest rates fall and flight capital returns

Business as usual for Euro-free Swiss

Fears of splendid mountain isolation proved unfounded, writes Ian Rodger

FOR THOSE who believe that markets are always right, the Swiss made a brilliant decision last December in rejecting a plan to move closer to the European Community.

Since the no-vote in the referendum on joining the European Economic Area (EEA), and contrary to the expectations of most analysts, the stock market has risen more than 10 per cent, Swiss interest rates have fallen by more than a point, the Swiss franc is firm and flight capital is flooding back into the country.

Even shares of middle-sized, export-intensive machinery companies, which many said would be hard hit if the country excluded itself from the European single market, have performed well.

Government and business leaders remain worried about the dangers of isolation. Swiss scientists have already received letters from Brussels advising them that they must abandon their seats on European project planning committees. Swissair, the national airline, is suddenly contemplating mergers with EEA-based airlines to ensure it retains fair access to airports in EC cities. And exporters fear that customs officials in EC countries will deliberately entangle incoming Swiss goods in red tape.

But for the moment, the predominant sentiment in most quarters appears to be a puzzled relief that the negative vote has not yet brought any negative consequences.

Apart from economic worries, there was, in the immediate aftermath of the vote, concern about the sharp divide it exposed between French-speaking Swiss, who massively supported the EAA, and German and Italian speakers, who opposed it.

There were comical scenes in parliament in December with anxious German speakers trying to assuage their fellow citizens by deliberately speaking stilted French. The federal government quickly promised more motorway construction in Romandy and civic leaders in Lucerne launched a "Salut les Romands" programme, inviting French Swiss to stay in the city's hotels for half price.

While the linguistic cleavage remains worrying, it has been softened somewhat by closer analysis of the voting, revealing that the German and Italian Swiss were not giving vent to any anti-Romand sentiment. It was rather a case of still not wanting to get too close to their formerly belligerent neighbours, Germany and Italy.

There were also important divisions between city and country – all the main cities in German-speaking Switzerland produced majorities in favour of the EEA – and between those, such as farmers and merchants, who benefit from subsidies and other forms of protection from foreign competition, and those who do not.

Perhaps the surprise, one western diplomat said this week, is that so many Swiss – only a fraction under 50 per cent – voted in favour of the EEA. A couple of years ago, the notion that Switzerland should move closer to the EC would have been overwhelmingly rejected. As recently as 1986, a majority vetoed a government recommendation that the country join the United Nations.

Economists are beginning to talk about a recovery late in the year

The relative strength of the pro-European vote is one reason the government feels it need not jettison its pro-EC integration policy. Mr Adolf Ogi, the president, has flatly refused the demand of Mr Christoph Blocher, the charismatic anti-EC leader, that the country's application to join the EC itself be withdrawn, even though he admits that it is unlikely to be acted upon for several years.

The government's strategy now is unilaterally to take the steps to bring Swiss law and practices into harmony with those of the EC that it would have had to do if it joined the EEA. It hopes that neighbouring countries will recognise these moves and that Swiss people and exporters will not face discrimination in EEA countries.

But it is unlikely that the so-called Eurolex package of some 60 measures will pass intact. Car dealers, construction contractors and scores of other entrepreneurs who benefit from high levels of protection will fight it all the way.

Bern will also seek bilateral negotiations with the EC on the most pressing matters, such as air traffic and some technical trade issues. But Swiss officials are under no illusions about the difficulties they face. As representatives of a small country, they have little bargaining power with the EC. They will not even be able to complain publicly if Brussels is intransigent for fear of reinforcing anti-EC sentiment among the Swiss public.

For their part, EC officials have made clear that they are not willing to negotiate a bespoke EEA just for Switzerland.

On the political front, EEA advocates have already launched petition campaigns to oblige the government to hold another referendum in the near future. But even strongly pro-EC political leaders agree that it would be insulting to the people to stage another referendum quickly, and the result would probably be counter-productive, not just in Switzerland, but also in Europe.

"We think that Europe cannot afford any more negative votes," says Mr Bruno Spinner, head of the government's integration bureau.

Cynics say that the next vote should not be held until unemployment, already at post-war record levels, has become much worse and several Swiss companies have announced plans to shift production to EC countries.

But all this is hypothetical. Swiss financial markets are in fine shape and economists are beginning to talk about an economic recovery late in the year.

Mr Kurt Schiltknecht, president of BZ Trust and a former central bank economist, shrugs off exporters' worries. He points to the remarkable recovery of the watch industry in the past decade and concludes, "Swiss manufacturers always perform well under pressure."

If he turns out to be right, the need and the desire to move closer to the EC could recede indefinitely.

G7 ministers set for London talks

By Peter Norman, Economics Editor

FINANCE ministers from the Group of Seven leading industrial countries will meet in London on February 27 at the invitation of Mr Norman Lamont, the UK chancellor.

The UK Treasury announced yesterday that the meeting, which will also be attended by G7 central bank governors, would be informal, "with no expectation of decisions or initiatives", and that the ministers did not intend to issue a communiqué afterwards.

The ministers and governors are expected to discuss how best to boost activity in the world economy when recovery in the UK is uncertain and the economic outlook for Japan and continental Europe is bleak. While the G7 has reason to be pleased about signs of recovery in the US, America's trading partners may express concern about signs of protectionism in Washington since tha Clinton administration took office. The problems of Russia may also be raised in the talks.

Mr Lloyd Bentsen, new US treasury secretary, has actively sought a meeting with his colleagues from Japan, Germany, Britain, France, Italy and Canada before the next scheduled G7 gathering on April 29 in Washington. Mr Bentsen has said he wants to breathe new life into the group, which in recent years has tended to be a forum for bickering rather than co-operation.

The London meeting will be a first opportunity for Mr Bentsen and Mr Yoshiro Hayashi, the recently-appointed Japanese finance minister, to meet the other G7 finance ministers.

It is unusual but not unprecedented for the G7 to meet without issuing a communiqué. The most recent occasion was in 1989.

The finance ministers' meeting will not be concerned with preparations for the next economic summit of G7 leaders in Tokyo from July 7 to 9. This is the responsibility of senior G7 officials, known as "sherpas".

Greek-Cypriots feel effects of economic heat

By Kerin Hope in Nicosia

GREEK-CYPRIOT hoteliers are complaining that bookings have fallen sharply this year, but the island's economic planners admit a sense of relief.

Last year's record tourist season, marked by a 43 per cent jump in arrivals to just under 2m, pushed up gross domestic product by between 7.5 and 9 per cent. With tourism contributing about 20 per cent of GDP, a leaner year should take some steam out of an overheated economy.

"We're already too dependent on tourism," says one official. "We reached a ceiling last year. We don't have the resources – workers, water, beaches – to cope with more people."

GDP growth this year should fall below 4 per cent, provided there is no last-minute flood of bookings. The travel industry claims the Cyprus pound, pegged to the Ecu since last summer, is too strong to be competitive in the British package holiday market, the main source of visitors.

The clothing industry, the other main foreign exchange earner, is also in trouble because of the strong Cyprus pound. Orders from Britain, the largest customer, are shrinking. One big Greek-Cypriot manufacturer has moved to Jordan to take advantage of cheaper labour costs.

The island's labour shortage has grown so acute that strict immigration rules have been relaxed. The workforce increased by about 5 per cent in the past year, with the arrival of more than 12,000 east European and Asian workers on short-term contracts at wages well below the Greek-Cypriot average.

Nonetheless, labour costs have been rising more quickly than the European average, as Cyprus is still committed to index-linked wage rises. With the introduction of VAT last year, annual inflation rose to 6.5 per cent, the highest level for almost a decade.

This year, inflation is projected to drop to 4.5 per cent as the central bank tightens a credit squeeze. The commercial banks have been threatened with severe penalties if the practice of letting liquidity drop below official limits is continued. But the central bank has comparatively little room for manoeuvre as the government is still unwilling to lift a 45-year-old law, a relic of British colonial days, that puts a 9 per cent ceiling on interest rates.

Demand is forecast to shrink, after a desperate rush to acquire cars and household appliances before VAT was imposed. Imports rose by almost 20 per cent last year, with the current account deficit widening to C£114m ($230m), equivalent to 3.5 per cent of GDP.

This feverish prosperity is not matched in the north of the island, where the Turkish-Cypriots are heavily dependent on aid from Turkey, estimated to cover about 40 per cent of budget outlays. They have a per capita income less than a third of the Greek-Cypriot level of around $12,000.

An independent economist points out that reuniting Cyprus in an arrangement that would promote economic co-operation with the north would make room for more tourists and allow Turkish-Cypriots to join the workforce. But, without a settlement, the prospects of attracting investment to help diversify the economy would be limited.

Poland agrees to take back refugees

By Judy Dempsey in Berlin

POLAND yesterday agreed to take back refugees rejected by Germany, but both countries failed to decide how Warsaw could deal with tens of thousands of refugees once the German parliament amends its liberal asylum laws.

Mr Jerzy Zimowski, Polish deputy interior minister, said in Bonn Poland needed financial aid and advice on improving border security while Polish government officials accused Germany of "exporting" its refugee problem.

But Mr Johannes Vöcking, Germany's state secretary at tha Interior Ministry, hailed tha agreement as a "crucial step" towards pushing through the constitutional amendments to the asylum law, agreed in principle by the country's main political parties last December. The amendments would allow Germany to send back refugees who are not genuine asylum-seekers to a safe third country.

However, the opposition Social Democratic party and the United Nations High Commissioner for Refugees have said Poland, the Czechs and Slovaks have no infrastructure to deal with refugees.

Russian bank and government squabble as inflation soars

By Leyla Boulton in Moscow

RUSSIA'S government and its central bank are engaged in a fierce war of words over who is responsible for the economic deterioration, as the country teeters on the brink of hyperinflation.

Mr Anatoly Chubais, vice-premier for privatisation, yesterday hinted that President Boris Yeltsin would take action against the central bank after accusing it of "adventurism". Mr Viktor Gerashchenko, the central bank chairman, retorted in parliament – to which he is officially accountable – that he had only created money at the government's request.

At the heart of the dispute is the question of central bank independence.

Mr Boris Fyodorov, deputy prime minister for economics and finance, would like the central bank to perform its prime function of defending the currency, even if it means cutting off funds to the government and stopping the flow of cheap credits to industry.

He says "a balancing act" against hyperinflation has "no chance" unless Mr Gerashchenko sets targets that are in line with the government's anti-inflationary goals. He also wants it to increase its discount rate, now at 80 per cent, to a "market rate".

"The central bank should be renamed development bank... they do not want to act like central bankers," he told the Financial Times. "They should be prodding me to cut the budget deficit, not me telling them what the discount rate should be."

But there would be severe social and political consequences of such a tough policy, and the central bank does not want to take the blame.

"Somebody will have to take the responsibility," Mr Alexander Khandruyev, a deputy governor of the central bank, said in an interview yesterday. "If we don't give credit to the Moscow power station to pay salaries, the lights will go off in this office tomorrow."

The government, whose various ministries have sanctioned many of the credits to enterprises, must also keep good its promises to start structural reform of the economy.

While he does not believe it is realistic to expect lots of inefficient enterprises to close, Mr Fyodorov is determined to do his share. He wants to restrict state spending, increase revenues and force enterprises to make efficient use of state help.

PRESIDENT Boris Yeltsin said yesterday he was prepared to drop plans for a controversial referendum on whether the president or parliament should rule Russia, writes Leyla Boulton.

After Mr Valery Zorkin, the chairman of the Constitutional Court, and heads of republics within tha Russian Federation added their voices to opposition to the poll, Mr Yeltsin said: "Let us proclaim 1993 the year of a moratorium on all political fist-fighting and other major political events. Let us deal with the economy. This is the main thing that can ruin us."

The referendum plan was born of a complicated compromise at last December's Congress of People's Deputies between the president and parliament to try to break Russia's constitutional impasse. However, Mr Ruslan Khasbulatov, powerful chairman of the Russian parliament, who is trying to reduce Mr Yeltsin's powers, has opposed a referendum from which he has nothing to gain. Instead, he has called for early elections of both president and parliament next year.

Mr Yeltsin said yesterday he would agree to early parliamentary and presidential elections, but only if they were brought forward by one year to 1994 and 1995 respectively.

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Keating woos women and business

By Emilia Tagaza in Melbourne

MR Paul Keating, the Australian prime minister, yesterday launched an election campaign package, promising to cut the company tax rate from 39 per cent to 33 per cent.

He also offered a 10 per cent investment allowance for purchases of plant and equipment by small and medium businesses. And for working women, Mr Keating proposed a 30 per cent cash rebate, claimable every week, for work-related child care.

Mr Keating hopes the business incentives will encourage private investment and help cut unemployment. But he is also targeting his weakest electoral spots: business and women voters.

The company tax cuts will put a further strain on the government budget.

Mr Keating's 95-page package includes a revised forecast for the 1992-1993 budget deficit, which is now expected to rise to A$15.9bn (£7bn) from the previous forecast of A$13.5bn.

The expected rate of economic growth has also been scaled down from 3 per cent to 2.5 per cent.

Mr Keating said the package would add A$692m to the 1993-1994 budget and A$387m in 1996-1997. He proposes to fund the package by selling a further 19 per cent of the government's stake in Commonwealth Bank. This would earn the government A$1bn but its total holding would fall from 70 per cent to 51 per cent.

He also proposes to bring forward the collection of company taxes.

With a new set of incentives, Mr Keating hopes to woo a large section of the business community who openly support the tax and industrial relations policies proposed by the coalition of the conservative Liberal and National parties.

The conservative opposition, led by Mr John Hewson, is campaigning on a new goods and services tax and the abolition of seven business taxes, including the payroll tax.

Mr Hewson said he did not believe the ruling Labor party could deliver the promised package. He said the government would not be able to raise the money, in the same way that it found it difficult to meet the personal tax cuts promised last year.

Mr Hewson is expected to launch his own election campaign platform in a few days.

The business community was not been impressed by Mr Keating's bait. Mr Ian Spicer, head of the Australian Chamber of Commerce and Industry, said the tax breaks alone would not cure unemployment. He said the package overlooked the problem of industrial relations.

"I don't believe we'll see any marked improvement in employment in the short term if these are the only initiatives presented by the government," he said.

Mr Rob Bastian of the Council of Small Business Organisations of Australia said he was aghast at the government's plan to "claw forward" its collection of bulk of business taxes.

Keating: company tax cuts

Hyundai founder retires as party leader

By John Burton in Seoul

MR Chung Ju-yung, the founder of South Korea's Hyundai business group, yesterday announced his retirement from politics following his recent indictment for election violations in the December presidential polls.

Mr Chung had appeared demoralised by the weekend indictment, and stayed away from the United People's party's (UPP) first anniversary celebration on Monday.

But "he told me he was at ease now", said his son, Mr Chung Mong-joon, who is an MP for the UPP.

His sudden departure as chairman of the UPP will probably lead to its dissolution. UPP officials admitted it was unlikely that Mr Chung would continue to fund the party from his estimated $4bn (£2.6bn) fortune, depriving the group of its main financial source.

"I will no longer engage in politics," Mr Chung said yesterday in a brief statement to MPs at the UPP headquarters, which is already being vacated. "Instead, I will work for the economy."

Mr Chung, who described Mr Kim Young-sam, the next Korean president, as an "idiot" during the election, also apologised for criticising his opponents. "I should have regarded them as partners and praised them."

He gave no indication if and when he would give up his parliamentary seat, although he is still expected to leave the National Assembly shortly.

"Chairman Chung was already losing interest in politics even before the indictment because he was defeated for president, which was his main goal," explained a senior UPP official.

"He couldn't accept remaining in politics if it only meant being a legislator in the National Assembly."

Mr Chung finished third in the presidential election, while the UPP is the third biggest party in the National Assembly, holding 11 per cent of its seats, following parliamentary elections last March.

If the UPP collapses, most of its MPs would become independent members or join either the ruling Democratic Liberal party or the main opposition Democratic party.

Mr Chung was indicted on Saturday on charges of receiving more than $60m in illegal campaign funds from Hyundai Heavy Industries (HHI), his group's shipbuilding unit. He claims the money came from the sale of shares in HHI.

Prosecutors said they would continue legal proceedings against Mr Chung in spite of his political retirement.

His departure from politics, however, reduces the chances that the government will conduct reprisals against Hyundai as it did last year when Mr Chung formed the UPP to challenge the government's tight control over business.

The share prices for most of the 19 listed Hyundai companies rose at the news of Mr Chung's retirement.

Hyundai officials suggest that his future role will be to develop overseas business by serving as a roving ambassador for the group.

Mr Chung retired as the Hyundai chairman in 1987, although he and his family retain majority control of the conglomerate, the biggest in Korea.

Japanese employers urged not to cut jobs

By Charles Leadbeater in Tokyo

THE Japanese government yesterday underlined the seriousness of the economic downturn by taking the unusual step of formally asking companies not to shed labour.

The move shows how worried the authorities have become that there could be a sharp rise in unemployment as economic growth slows.

The labour ministry's call is the latest in a series of government moves to modify business responses to the downturn.

Earlier this week, banks were formally asked not to restrict lending to smaller companies, and financial institutions have been asked not to sell shares to help to prevent further falls on the Tokyo stock market.

The next few months will test whether the bureaucracy still possesses the authority it used to have over the private sector to enforce such guidance.

Mr Kunihiko Saito, chief of the labour ministry's employment security bureau, asked a meeting of business leaders to refrain from cancelling plans to employ new graduates and retire older workers.

Mr Saito told the group: "Labour adjustment by such means will create great worries over employment in the whole of society. We want you to do your utmost to keep workers employed." He warned that job losses would undermine society's trust in companies.

The unemployment rate, which was 2.2 per cent for most of last year, rose to 2.4 per cent in December.

A growing number of companies have announced recruitment freezes and plans to lay off older workers to cut costs and boost profitability. Within the last week alone Eastman Kodak, the film company, Omron, the electronic goods maker and Minolta, the camera manufacturer have announced plans to trim about 4,000 jobs over the next few years.

The weakened state of the economy was spelt out by a clutch of official statistics.

Bank lending in January grew by just 2.0 per cent, the same rate as the previous two months. The low growth in bank lending means the Japanese money supply is likely to continue to contract.

Japan's machine tool orders last year fell by 37.3 per cent on the previous year to Y710bn (£3,776m) largely because of a slump in private sector capital investment. Private sector machinery orders, which have been fluctuating wildly in recent months, fell by 6.2 per cent in December, according to figures published by the Economic Planning Agency.

EPA officials said they were extremely cautious about the outlook for machinery orders.

Meanwhile the fall in Tokyo land prices is accelerating, according to a National Land Agency survey. In the final three months of last year land prices in central and north-eastern Tokyo fell at 26 per cent a year, after falling by 20 per cent in the previous quarter.

The land price fall is one factor behind a marked pick-up in sales of cheaper condominiums in Tokyo and Osaka, which suggests that some parts of the property market are beginning to recover strongly. The Real Estate Economy Institute, a private sector research group, said the number of condominiums put on sale in the Tokyo area last month rose by 24 per cent to 1,969 compared with the same month last year.

About 77 per cent of the condominiums were contracted for sale, a marked increase on last year. But this was mainly because the average condominium price had fallen by 25 per cent to Y44m.

Iraq muddies water of Turkey-Syria dam deal

John Murray Brown on threats over Euphrates project

IRAQ'S recent threat to take legal action against foreign contractors on a Turkish dam project was more than just another warning shot across the bows of Ankara's multi-billion-dollar south-east Anatolian project. The outburst is seen as an indication of growing concern in Baghdad at the possibility of a water deal between Turkey and Syria which could leave Iraq high and dry.

Iraq's anxiety follows the recent accord signed in Damascus committing Turkey and Syria to find a "final solution" to the allocation of the Euphrates river this year. Some diplomats in Ankara discount the move as yet another "agreement to disagree". However, for both countries, there seems to be ample reason to push for a more permanent settlement to this long riparian dispute.

Ankara's control of the Euphrates and the Tigris rivers, both of which rise in its central highlands and flow into the Gulf, has long soured relations with its Arab neighbours. Turkey's irrigation project, known as Gap, has been the main bone of contention – in particular, its plans to irrigate 1.7m hectares along the Syrian and Iraqi borders.

Turkey has long resisted calls for a more comprehensive solution, reluctant to become embroiled in the disputes of Syria and Iraq, which in the mid-1970s came close to open conflict.

With Iraq's continuing international isolation, any deal with Syria would undermine the case for an internationally ratified agreement on the water issue.

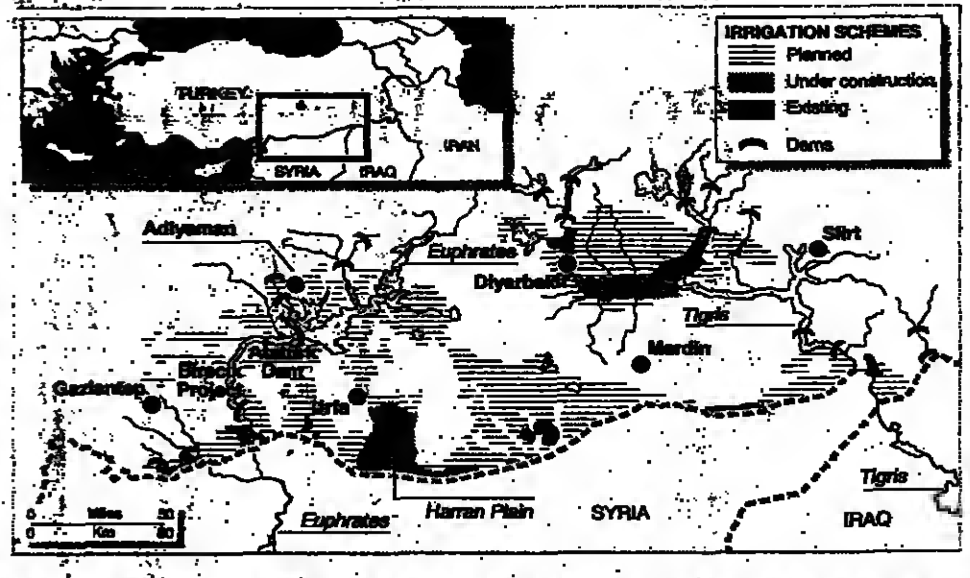
Modest progress on the security front helped pave the way for the Damascus accord, in particular Syria's assurances to curb Turkish Kurd separatists on its territory.

There was also a technical reason for the meeting. In 1987 Turkey agreed to guarantee to Syria a discharge of 500 cu m a second where the Euphrates crosses their border. Under that agreement, Turkey was committed to review the water allocation, once the reservoir behind the vast $4bn (£2.6bn) Ataturk dam was filled. That day has arrived.

But more than that, western diplomats say Turkey's decision to push for a deal is a measure of the desperate financial constraints facing the Gap project. Hitherto, the World Bank and other donors have refrained from supporting the project directly because of the outstanding water issue.

According to western officials, only if Turkey solicits international finance can it afford to invest in the more costly water conserving equipment, an issue vital for the downstream users. That will only happen if a solution can be found to the dispute.

Donors now believe the day of financial reckoning is fast approaching. The Gap has already consumed $9bn, much of it financed from the state budget. By next century, when the irrigation infrastructure and the 21 dams and 19 power plants are in place, the project will have cost a heady $32bn.



As Turkey prepares to irrigate the first hectares on the Harran plain close to the Syrian border in May, the need to address the issue has acquired a new urgency. Turkey will want to reassure the Syrians of continued co-operation, although the Turks seem unlikely to agree to Syria's demands to increase the water supply.

Iraq's latest swipe may thus cause a few ruffled feathers for the commercial banks and export credit agencies now being approached to finance the DM2bn (£833m) Birecik project.

The consortium led by Philip Holzmann of Germany has been quick to point out that there are no plans for irrigation, only hydro-electric generation. In addition, the Turks argue that Iraq has already given implicit approval to the project, having signed up to a separate plan linking the power grids of Turkey and its Arab neighbours: the Birecik plant is the first stage of this five-country project and would transmit power to the Syrian city of Aleppo.

Iraq's concern over Birecik may still prove premature. Hermes, the German export credit agency, is understood to have second thoughts about supporting a project which the Turks seem intent on financing using the more complex and largely untried technique of Build Operate and Transfer. Under such an arrangement, the contractor owns and finances the project, recovering its cost by selling its product, in this case electricity, back to the public utility. The public outburst from the Iraqis can only further deepen the misgivings of the lenders.

Singapore seeks to be more competitive

By Kieran Cooke in Singapore

SINGAPORE is introducing a 3 per cent goods and services tax (GST) and promised significant cuts in corporate and personal taxes in a budget at the end of this month.

Mr Richard Hu, minister of finance, said it was vital that Singapore reduce its direct taxes in order to maintain its long-term competitiveness. It was also important for Singapore to broaden its tax base.

"The whole idea is to make us more competitive," said Mr Hu. "The government does not need the additional revenues. . . our fiscal position is very healthy." Singapore runs a budget surplus and, at 47 per cent of GDP, has one of the highest savings rates in the world. It has foreign exchange reserves officially put at $40bn.

The government hopes that by introducing its new tax regime, with lower direct taxes, Singaporeans will be encouraged to invest overseas. Government leaders have bemoaned the lack of Singaporean entrepreneurs willing to look at business opportunities abroad, particularly in China.

The government said the lower corporate taxes would partially offset Singapore's high labour and land costs.

It said the GST would be held at 3 per cent for at least five years after its introduction in April 1994.

The Pope waves before celebrating mass in the northern Ugandan town of Soroti yesterday. He is on an eight-day visit to Africa.

NEWS IN BRIEF

Taiwan plans oil privatisation

Taiwan is drawing up plans to privatise its national oil company, the government's Commission of National Corporations said yesterday, Reuter reports from Taipei. It plans to sell a majority stake in Chinese Petroleum, which has a monopoly on oil imports and processing, a commission spokesman said. The government has also decided to privatise Taiwan Power, the state-run electricity supplier, Taiwan Fertiliser and Taiwan Salt Works, he said.

Loans for riot-hit business

The Reserve Bank of India, the central bank, yesterday said it would help businesses hit by recent communal riots across the country, Reuter reports from Bombay. The bank told commercial banks to extend credit limits for companies affected by the Hindu-Moslem bloodshed by 25 per cent.

Cambodia UN office attacked

Prince Norodom Sihanouk, Cambodia's head of state, returned home yesterday as UN peacekeepers investigated an overnight attack on its office in the north-west of the country that left five Cambodians dead and 16 injured, AP reports from Phnom Penh. Forty unidentified troops launched a three-hour attack late Monday night in Bakan district, about 185km north-west of Phnom Penh.

Firing rocket launchers and small firearms, the troops attacked the homes and offices of UN district officials, civilian police and electoral staff, a UN spokesman said yesterday.

Togo peace talks break down

Talks aimed at rescuing the west African state of Togo from bloodshed and crisis broke down yesterday and were suspended indefinitely, French Co-operation Minister Marcel Debarge said, Reuter reports from Colmar.

He said representatives of hardline President Gnassingbe Eyadema left Colmar in eastern France during the night, after talks with the country's pro-democracy movement collapsed. The Franco-German-sponsored meeting had brought together the country's five leading political groups.

Togo's foreign minister, Mr Ouattara Natchaba, had earlier accused France of threatening military intervention, and said the army should be given a say if Togo's problems were to be solved.

Now Zambia points way to fiscal rectitude in adversity

Tony Hawkins on a hoped-for economic example to follow a multi-party political one

HAVING provided a rare African example of successful transition from one-party rule to multi-party politics, Zambia may be offering another important pointer for the continent: how to balance the budget in adversity.

Describing the country's inflation record – 207 per cent in the year to December – as "totally unsatisfactory", Mr Emmanuel Kasonde, finance minister, last week unveiled a disinflationary, balanced budget.

If he can make it stick, it will go a long way towards promoting sustained recovery in an economy sapped by mismanagement and weak prices for its main export, copper.

Failure, however, will reinforce the view that, without additional resources, economic recovery is beyond the reach of even the best-intentioned African governments. It will also undermine the government of President Frederick Chiluba, which swept to victory in the elections in October 1991.

The year has not started well. After severe drought last year, maize production should recover strongly from the 1992 crop of only 5.2m bags (of 90 kg), compared to 12.2m in 1991. But the mid-January dry spell has raised fears of another mediocre season.

Meanwhile, the copper price, which averaged 103.5 US cents a lb last year, seems set to stagnate for much of 1993. Since the mineral accounts for around 90 per cent of export earnings, this suggests that any improvement in the balance of payments from last year's $94m current account deficit is dependent on reduced food imports and lower debt-service payments.

Mr Kasonde's target of an annual inflation rate of 10 per cent by December looks out of reach, with inflation still running at an annualised 200 per cent in the final quarter of 1992

ZAMBIA: KEY INDICATORS COMPARED WITH ZIMBABWE (1992)

	Percentage p.a. Zambia	Zimbabwe
Real GDP growth	-2.8	-9
Decline in agricultural output	-39.0	-35
Inflation	207.0	49
Money supply growth	99.0	18
Budget deficit (% of GDP)	2.2	11

– though well down on the annualised 350 per cent recorded in the first quarter.

Money supply also doubled during 1992, with government borrowing from the Bank of Zambia and the commercial banks, up by 81 per cent, accounting for 56 per cent of the increase in bank lending.

If Mr Kasonde gets his way this will change drastically during 1993. "The budget," he told MPs, "has been framed so that financing comes first; expenditure is the residual."

The Bank of Zambia will simply say no when government ministries seek to overspend. Extra revenues that might arise from "higher than programmed inflation" will not be spent. Treasury bill borrowings will be used to roll over existing debt, while government plans to repay "much of its outstanding" domestic commercial bank debt.

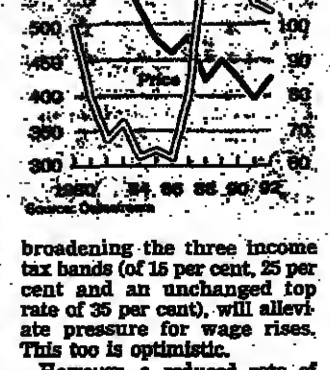
The Zambian track record suggests that they mean what they say. Last year, despite a 2.8 per cent fall in real GDP, a 39.3 per cent decline in farm output and inflation of more than 200 per cent, the government was able to cut the budget deficit from the 7.4 per cent of GDP inherited from the Kaunda administration in 1991, to only 2.2 per cent, or 0.3 per cent if drought-related spending is omitted.

This year, the spending target will rise 80 per cent to K231bn ($630m).

A debt-relief agreement last July with the Paris Club of official creditors, whereby debt-service costs were reduced by some $270m a year in the three years to 1995, will contribute substantially towards budgetary savings.

But some bitter political battles are looming. Mr Kasonde has a fight on his hands on public spending, on wage increases, and over civil service retrenchment – with some analysts suggesting that 50,000 people, or half the civil service, will have to be laid off.

He hopes that effective tax cuts, achieved by raising thresholds substantially and



broadening the three income tax bands (of 15 per cent, 25 per cent and an unchanged top rate of 35 per cent), will alleviate pressure for wage rises. This too is optimistic.

However, a reduced rate of corporate tax, the promised abolition of exchange controls, inherited at independence 29 years ago, and the assertion that government no longer has a role to play in fixing the exchange rate, are all grist to the private enterprise mill.

Some perspective can be gained too from a comparison with Zambia's far more industrialised and prosperous neighbour Zimbabwe, which like Zambia suffered from severe drought in 1991-1992 and which is also undergoing structural reform, albeit in a far more leisurely manner.

But these impressive achievements and worthy intentions will prove inadequate to the task of rebuilding the economy unless private sector investment recovers strongly. That is not going to happen without substantial public sector investment in the infrastructure, especially transport, education and training.

These are long-haul strategies which means that the Zambian recovery, when it comes, will be slow.

NEWS: THE AMERICAS

Clinton carries out pledge to ensure government makes do with less

White House staff cut by 25%

By Jurek Martin, US Editor, in Washington

PRESIDENT Bill Clinton fulfilled s campaign promise yesterdsy hy announcing a 25 per cent reduction in the White House staff, proclaiming that "government must do more and make do with less".

The cuts, to take effect by October 1, the start of the next fiscal year, will rednce the number of those in the office of the president to 1,044 from the 1,394 on the payroll at the end of the Bush administration.

Estimated savings, inclnding salary cuts of 6-10 per cent and tha elimination of other perks such as unlimited newspaper subscriptions, are put at about $10m s year. Other departments and agencies are expected to announce cost savings as part of Mr Clinton's broader goal of eliminating 100,000 federal jobs out of sbout 3m.

Announcing the cuts, Mr Clinton said: "This is one of the few times in history that any president has actually shrunk the size of the White House staff". It would lead to "leaner, more effective government".

Mr Mack McLarty, the White House chief of staff, said the president himself would make do with 10 per cent fewer senior aides. He added that the rednctions were designed to send "a strong message" to other departments and to Congress that sacrifices would have to be made in the interests of cutting the federal deficit.

Exempt from the cuts announced yesterday are staff at the Office of Management and Bndget and the trade representative, wbo together employ about 800 people. Though traditionally part of the White House structure, the heads of both enjoy cabinet rank and will, therefore, have to come np with economies similar to other departments.

Actual redundancies will be minimised. Nearly 300 of the existing White House staff are career civil servants on secondment from other agencies and will return to their departments. Hardest hit is the drug policy office, mostly filled with political appointees, which will come down in size to 25 people against 146 nnder President Bush. However its chief, when appointed, will be elevated to cabinet rank, Mr McLarty said.

Among otber symbolic changes, henceforth only three senior aides – the chief of staff and the national security adviser and his depnty – will be automatically entitled to use White House chauffeured limousines.

Bill Clinton: 'Government must do more and make do with less'

Bill and Al go on the road again

Away from Washington, out among the voters, the issue is still the economy – and it is picking up, writes Jurek Martin

BILL Clinton and Al Gore begin snother campaign today, on their natural turf. The president is off to Detroit and the vice-president to Ontario, California, to appear in televised "town meetings", fielding questions from citizens, not the media.

Their goal is quite simple: to convince a wider audience that this is a young administration still firmly on track, which is not necessarily the prevalent impression inside the hypercritical and media-dominated Beltway. They will probably welcome the change of scenery in their first escape from Washington since the inauguration.

But, even as they leave, there are changes in Washington itself which indicate some adjustment by the president to the capital's political realities. Back on board in the White House, albeit in informal consulting capacities, are Mr James Carville, Mr Paul Begala and Ms Mandy Grunwald, three of the key political strategists behind Mr Clinton's skilful and disciplined election campaign.

Implicit in their return, which may be no more than temporary, is the recognition that the administration has had an uncertain political beginning, marked by the double failure to find a new attorney general and the early controversy over Mr Clinton's determination to end the ban on homosexuals in the military.

The withdrawal, for "nannygate" reasons, of Judge Kimba Wood from consideration to run the Justice Department seems a more grievous item of White House mismanagement than that of the aborted nomination of Ms Zoe Baird.

Judge Wood has acknowledged in a letter to the New York Times that the newspaper's initial accounts of her exchanges with the White House – obviously, though anonymously, provided by her journalist husband Mr Michael Kramer – were partly inaccurate and that she may, indeed, not have been crystal clear in what she said. But there is no gainsaying that Mr Clinton's aides were ill-advised in leaking that she was at the top of the short list to be attorney general.

The net result is that, for the moment at least, the administration finds itself fending off outraged criticism (not only from women's groups and talk show hosts) that the president is applying a double standard to men and women appointees and is running scared of public opinion.

Now, it appears all nominees for positions requiring Senate confirmation, about 1,100, will be obliged to confirm that they have always obeyed the law in hiring domestic help, a criterion not exactly germane to their abilities to do the job. Worse, it may well rule out of consideration a lot of talent.

Finger-pointing for this firestorm is under way. Mrs Hillary Rodham Clinton, already a target because of her patent power and influence, is being blamed for her insistence on finding a woman for the justice department. Other aides, like Mr "Mack" McLarty, the White House chief of staff, Mr Bernard Nussbaum, the president's legal counsel, and Mr George Stephanopoulos, the communications director, are also being charged with lack of political nous.

Similar accusations of loose talk surround the formation of economic policy. Mr Stephanopoulos has defensively blamed unauthorised leaks for the number of kites being flown around town – on social security and energy taxes and on the size of any planned stimulus. The impression gleaned is that whenever one has been shot down – as in the mooted freezing of the indexation of pensions – the administration has caved in to powerful special interests.

The Kimba Wood fiasco last Friday interrupted what had been a good week for Mr Clinton. The passage of the family leave bill could be portrayed as early evidence that Washington legislative "gridlock" was over. There had been a series of presidential consultations with Congress and with the nation's governors that spoke of policy innovation and new co-operation.

At least these passing domestic passions have taken some of the heat off foreign policy. This may come as little consolation to Mr Cyrus Vance and Lord Owen, the Bosnian negotiators, who are convinced that the prospect of US assistance is the main reason why the Bosnian Moslems have not agreed to their peace plan, but it has bought some time for the administration to make np its own mind.

More generally, as Mr Jim Hoagland perceptively wrote in the Washington Post yesterday, it is becoming increasingly clear that Mr Warren Christopher's role as secretary of state is "to keep Clinton out of trouble abroad in the opening phase of his presidency". In the Middle East, Bosnia, Somalia and Haiti, "quick fixes and policy reviews are the order of the day."

The compromise agreement negotiated by Mr Christopher with Mr Yitzhak Rabin, Israel's prime minister, over the Palestinian deportees was a quick fix, getting the US off the potentially embarrassing hook of being forced to veto a UN Security Council resolution against Israel. His trip to the region next week equally is designed to buy some more time.

Such delay does not seem to suit the European Community, agitated over trade policy, and Japan, anxious because it seems to have no friends in the Clinton court. This week's visits to Washington by Sir Leon Brittan, the EC trade commissioner, and Mr Michio Watanabe, the Japanese foreign minister, may not be as fruitful as either would like.

But it is a fair bet that in Michigan and California tonight, foreign policy will not intrude much on Mr Clinton and Mr Gore. Their dialogues with the people, in the preferred medium of the moment, are going to be about what brought them into office, neatly summed up in the placard Mr Carville bung on the Little Rock election war-room: "the economy, stupid". The only difference now is that it is getting better.

Gore: meeting citizens in California

Christopher: arranging quick fixes

Venezuela plans to sell off four power companies

By Joseph Mann in Caracas

THE VENEZUELAN government, in sn effort to reactivate its stalled privatisation programme, is focusing its attention on selling off four electric power companies this year.

Mr Julian Villalba, head of Venezuela's privatisation programme, said this week the government hoped to obtain as much as $1.4bn this year by selling its shares in Planta Centro, a large electric generating facility, and Enelven and Enelbar, two regional power generation and distribution companies.

The administration also has plans to sell the state-owned electric company that serves the resort island of Margarita.

The administration of President Carlos Andrés Pérez obtained over $3bn from privatisation in 1991, but saw sales of state assets decline steeply last year, when rebellious military units staged two attempted coups d'état.

The government, eager to obtain money from privatisation to help cover a large fiscal deficit projected for this year, may find it hard to sell important state-owned assets.

Venezuelans are scheduled to elect a new president and national congress next December, and it is still not clear if the next government will pursue the unpopular economic reforms initiated by Mr Pérez in 1989.

The outlook for possible investors in Venezuela's electric power sector improved late last year after the government approved a series of staggered increases in residential and commercial power rates scheduled to continue after a new administration takes office in 1994.

Aside from the electric power companies, the government also hopes to sell other state-owned assets this year, including an airline, horseracing tracks, hotels, sugar mills and perhaps some of its remaining shares in the national telecommunications company, CANV.

Brazil launches its first satellite

By Christina Lamb in Rio de Janeiro

BRAZIL yesterday moved into the space age with the successful launch of its first satellite.

The SCD-1, developed entirely in Brazil, was launched from the Kennedy Space Centre at Cape Canaveral in Florida yesterday morning – the culmination of a $150m project begun in 1979. In recent years the programme has suffered long delays caused by the perilous state of Brazilian government finances.

Orbiting 750km above earth, the satellite will be used for collecting meteorological and environmental data about the Amazon rainforest. The data will be transmitted to the Brazilian space institute (INPE) for monitoring forest fires and the concentration of carbon monoxide and dioxide in the atmosphere. Landsat, the American satellite used for capturing images does not provide such detail.

Mr Pawal Rosenveld, head of satellite monitoring at INPE, said yesterday: "This is a technological and political success as it puts Brazil in the club of countries which have the knowhow for satellite manufacture."

The satellite was launched using the Pegasus rocket made by the American Orbital Science Corporation.

A second Brazilian-made satellite SCD-2 is planned to be launched at the end of this year with a Brazilian made rocket.

NEWS: WORLD TRADE

Washington in row over steel duties

By Frances Williams in Geneva

THE US was yesterday subjected to a barrage of criticism from trading partners over its decision last montb to impose swingeing anti-dumping duties on imports of steel from 19 countries, including seven EC member states.

The issue will be pressed by Sir Leon Brittan, EC trade commissioner, when he meets Mr Mickey Kantor, US trade representative, in Washington tomorrow.

Sir Leon will also be taking up the US threat to shut EC companies out of bidding for federal contracts, and the continuing standoff in the Uruguay Round global trade talks.

At a stormy meeting of the governing council of the General Agreement on Tariffs and Trade in Geneva, the US anti-dumping, and earlier anti-subsidy, duties on steel were variously described as "unwarranted and unjustified", "unfair", "disturbing" and a threat to world steel trade and the Uruguay Round.

The EC, which said the duties were the latest measure in "a massive assault on the world steel market" by the US, has already sought talks with the US as the first step to a formal Gatt complaint. Brazil, which put the item on the council agenda, said it too had sought consultations.

Support came for renewed talks on a Multilataral Steel Agreement, which would phase out steel tariffs in return for elimination of most subsidies.

MSA talks broke down last spring but are scbeduled to begin afresh later this month.

Gatt mambers were angry that the anti-dumping duties, provisional until the US International Trade Commission rules on whether dumping has injured US producers, relate to imports already covered by voluntary restraint arrangements.

Over 80 anti-dumping and anti-subsidy suits were filed by US steel makers weeks after the 10-year-old VRAs expired at the end of March 1992.

● Gatt's council yesterday approved membership terms for the Czech and Slovak republics, which separated at the end of last year, and granted Azerbaijan, the former Soviet republic, observer status. Swaziland has become Gatt's 106th member.

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GE technology deal paves way for lower power costs

By Andrew Baxter

GENERAL ELECTRIC of the US has signed an agreement giving it access to a promising new technology that could save the power industry millions of dollars in fuel costs. The deal between GE, the world's largest producer of power generating equipment, and Exergy, based in California, is the latest effort by power equipment producers to boost market share by offering utilities more efficient power production.

An exclusive agreement will enable GE to use the "Kalina cycle" developed by Dr Alexander Kalina, principal owner of Exergy, as part of its combined-cycle power systems. These use the exhaust gases from a gas turbine to power a second, steam, turbine.

GE claims its systems are the world's most efficient. The "Kalina cycle" could add two or more percentage points in thermal efficiency (the amount of electricity prodnced per unit of fuel used), says GE.

● Three subsidiaries of GEC Alsthom have won orders totalling DM387m ($244.9m) from Vereinigte Energiewerke, to upgrade and modernise the Jänschwalda lignite-fired power station near Cotthus, east Germany.

The order, will increase the efficiency of the 3,000MW plant and reduce the emission of nitrous oxides.

Japanese venture for Stefanel

By Haig Simonian in Milan

STEFANEL, the Italian casual clothing group, has become the first European apparel maker to set up a manufacturing joint venture in Japan.

The new company, Onward Stefanel, marks an extension of the Italian group's clothes retailing joint venture, signed in 1989, witb the Onward Kashiyama group, which has led to the opening of 40 Stefanel stores in Japan.

Mr Giorgio Stefanel, chairman of the Italian company, said the new company would produce between 30 per cent and 40 per cent of Stefanel'a sales in Japan.

The remainder would continue to be made in Italy. Stefanel intended to extend its Japanese retail coverage, and open more stores in China and Korea, where it already has a presence, he said.

● Elsag Bailey, the Italian precision engineering group which is part of the IRI state holding company, has won a L35bn ($23.7m) order from the Spanish postal authorities for automatic letter-sorting equipment for Madrid and Barcelona.

The equipment includes electronic address recognition systems which will enable fully automatic letter sorting, as well as manual coding where necessary.

Elsag Bailey has already supplied letter sorting equipment to the six automated letter sorting centres on which the Spanish postal system is currently based.

US car market on collision course

Nancy Dunne on higher gear in protectionism row

THE 17 foreign motor companies operating in the US market are planning an aggressive legal strategy to combet protectionist moves against them by the Big Three American car manufacturers in Detroit.

Mr Philip Hutchinson, president of the Association of International Automobile Manufacturers, said the trade association's board had authorised retention of a law firm to explore action against the US companies and their trade association, the Motor Vehicle Manufacturers Association. Representatives of three firms were interviewed yesterday.

US car makers are considering filing dumping actions against a broad range of Japanese cars. The decision could come this week, in order to meet a deadline which would make the dumping cbarges easier to prove.

Detroit is also pushing the Clinton administration to reclassify imported minivans as trucks rather than cars, thus raising the tariff from 2.5 to 25 per cent. Foreign car makers have decided to fight back.

"We know that tbey are threatening unfounded sctions which are harmful to competition and expensive to defend," said Mr Hutchinson. "We also know that the Big Three are attempting to use the political process to inflnence and restrict competition."

He said Honda and Volvo had been "expelled" from the MVMA after belonging for several years. "Our companies compete in this market. The consumer likes the competition and thinks its fair. Overall, it's good for America to have this head-to-head marketplace."

US trade lawyers say a number of legal actions could be considered by the foreign manufacturers. They could hring an anti-trust case if they can prove that the American industry is acting in collusion to raise prices.

All the companies are so linked internationally that the American manufacturers msy well be shooting themselves in the foot if they seek government action against their rivals. After all, one ont of 10 car imports is now brought into the US by Detroit.

GM alone has supply and technology arrangements with Honda and Isuzu, a joint venture with Nissan, market distribution arrangements with Renault and Saab and a manufacturing and assembly relationship with Volvo.

Foreign-owned companies which manufacture in the US could seek legal standing as American producers in order to file dumping cases against the cars brought in by the Big Three.

"The question is who is 'the US industry?'" said Mr Michael Coursey, a Washington trade lawyer. "Toyota? Nissan? Honda? At the end of the day, it might not matter."

A spokesman for the MVMA insisted that a decision to proceed with the dumping actions has not yet been taken. However, the US Commerce Department, which has the task of determining whether dumping exists, has begun to prepare its personnel for the petitions.

US trade officials say it is by no means certain that the Big Three can prove that dumping has occurred and has injured the US industry. While American car companies have been slsshing their prices to gain market share, Japanese car prices have been rising.

Meanwhile, Detroit's reputation for quality is improving and it is benefiting from the end of the recessinn and growing demand. Chrysler has had a profitable year and General Motors could have its first in several years.

US car market - 1992

Total market*	8,211,236
of which imports	1,994,748
Japanese car makers:	
Toyota/Lexus	418,661
Honda/Acura	293,127
Nissan/Infiniti	268,379
Mazda	169,007
Mitsubishi	90,988
Subaru	49,687
Suzuki	6,098
Izuzu	7,823
Daihatsu	5,026
European:	
Alfa Romeo	2,828
Astin Martin	60
Volkswagon/Audi	87,950
BMW	65,691
Ferrari	860
Jaguar	8,681
Lamborghini	156
Lotus	375
Masarati	240
Mercedes-Benz	63,312
Peugeot	336
Porsche	4,115
Rolls-Royce/Bentley	392
Saab	26,377
Volvo	67,916
Yugo	1,412
Korean:	
Hyundai	108,549
American:	
General Motors	93,917
Chrysler	62,174
Ford	89,512

*This excludes light trucks (including minivans), sales of which totalled 4.68m in 1992
Source: Automotive News

Left: President François Mitterrand is greeted by Vietnamese foreign minister Nguyen Manh Cam (right) as he arrives at Hanoi airport

Vietnamese deal for Thomson-CSF

VIETNAM'S busiest airport is to have a modern air traffic control system installed by the French electronics giant Thomson-CSF, the company said yesterday, Reuter reports from Hanoi.

The company said Vietnam's state carrier, Vietnam Airlines, had chosen it to supply and install the new system at Tan Son Nhat Airport in Ho Chi Minh City, Vietnam's commercial centre.

The company, which signed another contract with Vietnam Airlines in August to supply landing commnnications systems for Ho Chi Minh City and the central town of Danang, said it had also received government approval to open an office in Vietnam.

The news came hours after the arrival in Hanoi of French President François Mitterrand.

Mr Mitterrand is the first western head of state to visit Vietnam and is accompanied by several ministers and leading businessmen.

The French government has been trying to help integrate communist Vietnam – both economically and politically – into the international community, especially since the collapse of the Soviet bloc.

That has included pressing the US government to lift its trade embargo against Hanoi and its virtual block on World Bank and International Monetary Fund loans for Vietnam.

Expo businesses attack DTI over Seville service

The Department of Trade and Industry is under fire from businessmen and politicians for alleged mismanagement of the British pavilion at Expo 92, the international fair held last year in Seville. Jimmy Burns reports

The building, paid for with about £20m of public money, was hailed at the time by Mr Peter Lilley, trade secretary, as "a showpiece of British imagination and flair, Britain at its most innovative and entertaining best".

But four months after Expo closed it lies empty while the DTI finds itself embroiled in a controversy which includes:

- Liquidation of a retailing company contracted by the DTI to run the pavilion shop and fly the flag with an assortment of British products supplied by dozens of leading UK companies. The company, Joanna Bickertoo Associates, has debts of nearly £500,000.
- Freezing of a Spanish bank account opened by the DTI on behalf of JBA, containing an undisclosed amount of money.
- A possible lawsuit against the DTI. KPMG Peat Marwick, JBA's liqoidators, are taking advice on whether there was direct legal involvement by the DTI in the JBA trading operation, which went into receivership last August, and whether a successful claim can be made against the DTI on behalf of creditors.
- Separate legal action being considered by at least two other creditors against the DTI.
- Demolition of the award-winning pavilion possibly by the eod of March unless a buyer is found.

The pavilion, the size of Westminster Abbey, was designed by Nicholas Grimshaw, built by Trafalgar House and won a 1992 Britisb Construction Industry prize. The total cost of construction and appearing at Expo was £25m, about £5m from commercial sponsorship, the rest from the government, mainly the DTI.

One of Joanna Bickerton Associates' creditore, HHL Publishing, which supplied magazines and hooks to the pavilion, is taking legal advice on how to recover £240,000 owed by the company.

Mr Steve Pae, HHL finance director, said: "We believe that a lot of the information that was provided to us by the DTI when we went in for tender was misleading. There is also a question over whether the DTI was acting as a 'shadow director' of JBA during the Expo," effectively helping to run some aspects of the company.

A second creditor, Farrow and Humphreys, a leading UK manufacturer of toiletries, is owed £7,000 for goods delivered to Expo but never paid for. Mr Ron Humphreys, Farrow and Humphreys managing director, said he is considering legal actioo to recover money held in an Spanish bank account opened for JBA in the DTI's name, which he has had frozen under a court order.

He does not yet know how much is in the account, but the DTI has admitted that at least some of the mooey is from sales of goods in the Expo shop run by JBA, and represents money owed to suppliers.

Mr Humphreys has written to Mr Michael Heseltine, trade and industry secretary, strongly criticising his department's handling of the Expo. "As one of the ... exporting companies damaged by the affair, our cash resources and the confidence of our bankers has been badly dented, thereby reducing – not enhancing – our export drive, not to mention our eothusiasm and sense of national pride."

Mr Richard Bickertoo, a JBA director said: "I hold the DTI completely responsible for providing us with market research [on the projected number of visitors to the UK paviliool] which proved to be grossly inaccurate ... They've not only messed us up, but also a number of very good British companies of a variety of sizes."

KPMG Peat Marwick have confirmed that Mr Bickerton owned a huilding company, GOH Bickerton and Sons, which went into receivership two years before the Expo fair. The DTI has told the FT that that was not a retailing company. JBA was picked as sole British coocessionaire for Seville on the basis of the company's past good record in running shops similar to those at Expo, the DTI said.

The DTI forecast of visitors, on whicb the retailing contract was based, said 2.75m people would visit the pavilion during Expo, which ran from April to Dctober. JBA said Expo receipts show the true figure was nearer 1.5m.

More than fifty companies snpplied the Britisb pavilion through JBA and all are owed money. They include Dartington Crystal, Royal Doulton (part of the Pearson group, which owns the Financial Times), the BBC World Service, Marks & Spencer and Highland Spring. The BBC confirmed that it had registered a claim with JBA's liquidators. Royal Doulton and M and S had no comment. Highland Spring said: "We are owed money ... we are waiting to see what the DTI has to say."

The DTI said that it has made some ex gratia payments covering royalties which companies were made to pay to JBA before Expo got under way. Advanca royalty paymeots were stipulated by the Expo authorities.

The DTI said the ex gratia payments did not constitute any admission of liability and that it considers any other outstanding sums to be commercial debts for which the department canoot be held responsible.

Ms Rosalind Cole, the DTI's "project manager, Expo 92 Unit" was unavailable for comment. Sir John Ure, a former British ambassador and UK "commissioner-general for Expo" – described by the DTI as the "figurehead" for the fair, said when it closed: "Our main objectives – to project Britain as an outward looking, technologically advanced, friendly nation ... have been met." Sir John has since retired.

Mr Eric Dancer, managing director of Dartington Crystal, which has a claim of £40,000 against JBA said: "I think British industry should think very seriously about participating in any future trade show organised by the DTI. The DTI has let the side down very badly."

The DTI is also facing criticism from a different quarter. Conserve, a Tory party pressure group set up three years ago by Sir David Trippier, then minister of the environment to promote environmental issues, has accused the DTI of going against the "national interest" in delaying a decision on the future of the British pavilion. Conserve trustees include Lord Forte and Lord Palumbo.

Another Conserve director, Prof Paul Cook, a scientific adviser to the Department of the Environment, suggested moving the pavilion to Regent's Park in London under the auspices of the British Science and Technology Trust, of which he is president. Trustees include Baroness Thatcher.

In a letter sent on behalf of Conserve to the political office at 10 Downing Street and to Mr David MacLean, environment minister, Lady Olga Maitland MP said: "Bearing in mind there is no question of financial input from the government, it would be vital for the scheme's success to have the government's unqualified blessing. This will provide the lever to raise the necessary funds." The proposal was forwarded to the DTI which has never responded. Prof Cook said: "The DTI has handled our proposal atrociously ... at least they should have the decency to say one thing or the other. Taxpayers are geting nothing out of Expo."

The DTI said some proposals had been turned down on financial or construction grounds. Advised by property agents Healey & Baker, the DTI is in "final negotiations" with an interested company.

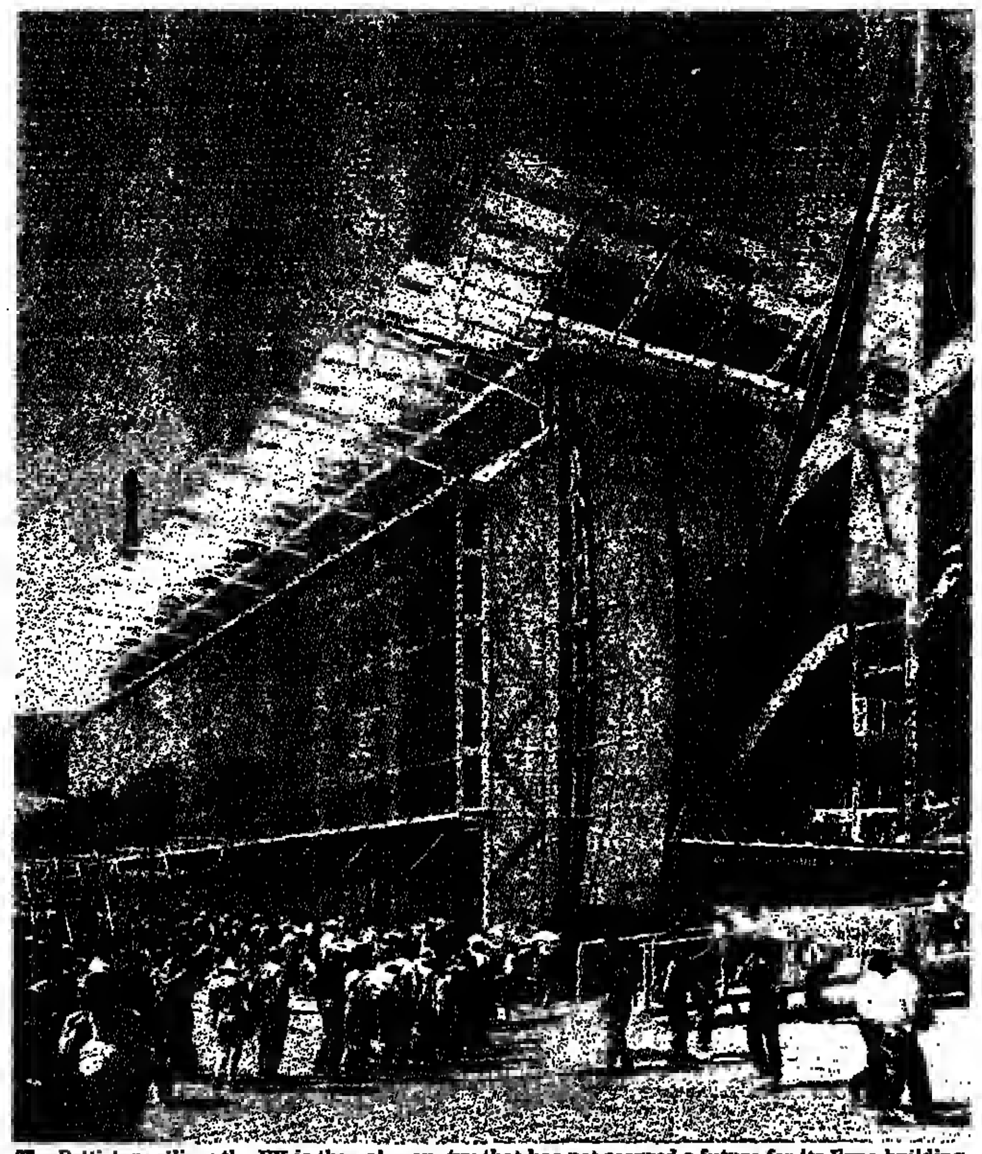
It is understood that the DTI has been in discussions with a businessman, Mr Sharad Patel, who wants to move the pavilion to the UK as headquarters of a new media satellite station. The DTI has been offered less than £1m for the pavilion which would take at least six months to be removed.

Under rules agreed by all participating countries, the five-storey British building may be knocked down if the DTI fails to dispose of it by the end of March. Alternatively tbe DTI will have to start paying rent to the Spanish authorities.

Ms Ines Alba from Cartuja 93, the government agency running the former Expo site, said: "We calculate that the delay is going to cost the British government another £65,000."

The DTI rejected charges of mismanagement and defended its Expo record: "It was an opportunity to show the rest of the world what Britain could do, the Best of Britain."

Additional research by Tom Burns in Madrid



The British pavilion: the UK is the only country that has not secured a future for its Expo building

Tarnished pavilion: conflicting views of Britain's showpiece at Expo 92

"A showpiece of British imagination and flair...Britain at its most innovative and entertaining best"

Peter Lilley
former trade secretary

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UK commissioner-general for Expo

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Eric Dancer
Dartington Crystal MD

"The DTI has handled our proposal atrociously. Taxpayers are getting nothing out of Expo"

Prof Paul Cook
Conserve director

Maastricht rebels threaten government vote

By Alison Smith

TORY rebels and Liberal Democrats joined the Labour opposition yesterday in an unlikely alliance intensifying the threat to the government majority at Westminster over the social chapter of the Maastricht treaty.

With the Liberal Democrats and the minor parties saying that they intend to vote for the Labour amendment, if there was a full turnout of MPs it would take only 11 Tory rebels to overturn the government's overall majority of 21. So far in discussion of the Maastricht bill, the government has not been defeated, since no issue has been able to unite the full range of opposition parties with Tory Euro-sceptics.

Mr Tristan Garel-Jones, the foreign office minister, has already warned MPs that passing the Labour amendment on the social chapter would wreck the treaty because the UK would be unable to ratify it.

The recent underlining by Mr John Smith, the Labour leader, of his party's determination to force a vote on the issue, has raised the stakes at Westminster over the vote, although it will oot take place for some four to six weeks.

The opposition parties believe that approving the amendment would force the UK government to negotiate with other EC countries, with the prospect of British adoption of the social chapter as the outcome. Tory Euro-sceptics have, however, begun a campaign to make clear that if their colleagues support the amendment they are not voting for the social chapter.

They say that it does not introduce the social chapter into the Maastricht bill, but would simply remove the protocol saying that the other 11 EC countries will implement the social chapter and including the UK only in a share of the administrative costs. In any negotiations with the other EC countries, the Euro-sceptics say, the UK would not be forced into accepting the social chapter.

Sir Teddy Taylor, secretary of the European reform group, said yesterday: "The amendment simply makes it more difficult for the 11 other European countries to implement the social chapter. Anything we can do to make it more difficult to go ahead with Maastricht is well worth while."

One leading Euro-sceptic, Mr James Cran, said that he and his colleagues were determined to try to find a way to amend the Maastricht bill, but many other potential rebels are keeping a low profile. The intense pressure from the whips in the run-up to the Maastricht debate last November shook some potential rebels, and they are wary of committing themselves to revolt on this vote so far in advance.

Further BA management changes expected

By Paul Betts, Aerospace Correspondent

BRITISH Airways is expected to announce further changes in its management structure later this week in the continuing aftermath of the Virgin Atlantic "dirty tricks" affair.

The airline said yesterday it had appointed Mr Peter Jones as new head of public relations following the departure last week of Mr David Burnside.

BA and Virgin are also due to hold talks tomorrow to try to reach a compromise over Virgin's compensation demands for the commercial damage it claims to have suffered as a result of BA's "dirty tricks".

Mr Richard Branson was in the US yesterday consulting advisers on the possibility of launching a US anti-trust suit against BA. Both Mr Branson and BA are understood to be keen to settle their differences by the end of this week.

As the new head of public relations, Mr Jones will assume responsibility for all external PR activities while Mr Tony Cocklin is taking charge of internal communications. Both Mr Jones and Mr Cocklin worked under Mr Burnside.

Mr Burnside , who stepped down last Friday at the same time as Lord King announced he was retiring as chairman, would be embarking on an independent business career in communications.

Gas industry regulator will quit after monopolies report

By Deborah Hargreaves

SIR James McKinnon, the gas industry regulator, is to step down in September, almost a year before the end of his contract at Ofgas.

Sir James, renowned for his acerbic manner and combative style of regulation, said yesterday he would leave his post after the publication of a report on British Gas by the Monopolies and Mergers Commission, due in July.

"That report is bound to propose some fundamental changes to the business and I believe a new person should follow through those changes from beginning to end," he said.

Sir James's announcement came as Ofgas became embroiled in another row with British Gas over complaints from customers last year.

Ofgas said complaints had risen by 89 per cent to 1,624, but British Gas said it was not aware of more than half of those complaints.

Relations between the company and the regulator have been driven by a war of attrition and have recently sunk to an all-time low.

But Sir James hit out at his critics yesterday. "Many people are perplexed at the aura of tension between British Gas and Ofgas, but to think there would be no conflict between a regulator and monopoly supplier is somewhat naive," he said.

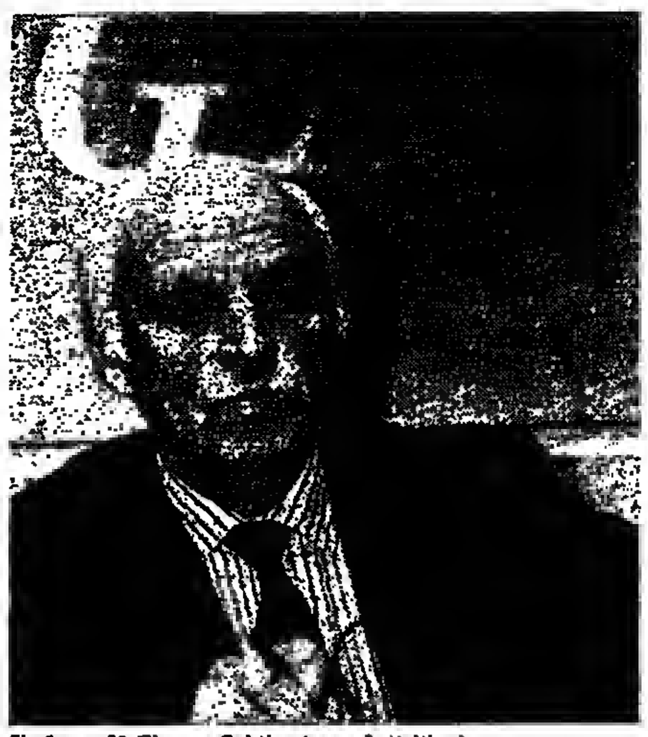
Without the Ofgas's focus, there would not be the "tension and acrimony," that had developed, Sir James said, "but neither would there be the results achieved." He pointed to a 20 per cent drop in gas prices in real terms since privatisation in 1986 as one of his greatest achievements.

British Gas said it had no comment on Sir James's decision to step down.

But the regulator yesterday accused British Gas of overcharging schools for gas supply by at least £2,000 a year when they opt out of local authority control.

British Gas points to a legal technicality which means the company must charge schools separately for gas and not as bulk purchasers under a local authority.

This makes a difference of 10p a therm in price – since bulk purchasers are eligible for a quantity discount.



Sir James McKinnon: fighting 'war of attrition'

Decline and fall of sterling unsettles markets

By James Blitz, Economics Staff

STERLING'S fall to a historic low against its trade-weighted index has raised concerns about the currency's weakness on foreign exchanges.

Yesterday, the pound fell to a new low of 76.2 against this indicator, which measures sterling against a basket of other currencies. The indexeffectively indicates that the pound is now worth 76.2 per cent of its value in 1985.

The currency's return to the low of DM2.3480 was a further sign of weakness. But Mr Mark Brett, a currency economist at BZW in London, said he was particularly concerned by the way the pound had fallen sharply in just two days. "The pound has an incredibly small resilience," he said. "People can't think of a reason to buy it."

There are several reasons for this intrinsic weakness:

● UK interest rates are lower than those in most European countries, providing a smaller return for sterling investors. Three-month sterling interest rates were yesterday at around 6.25 per cent. By contrast, 3-month French francs were at 11.75 per cent and 3-month D-Marks at 8.32 per cent.

Investors are also concerned that growing inflation in the UK will erode the value of sterling assets.

● Dealers remain uncertain about the direction of the UK government's economic policy.

The most pessimistic view in the market is that the government has no clear plan for economic management at all, and that recent cuts in interest rates were the product of panic rather than policy.

● Sterling's departure from the Exchange Rate Mechanism has made it the most volatile currency in Europe this year, offering good returns to investors willing to play it. "People have probably won and lost more on the pound than on any other currency this year so far," said Mr Jim O'Neill, head of research at Swiss Bank.

He believes that the pound will soon recover on oew signs of economic growth in the UK. He believes that next week's retail sales figures may show a sharp rise in January compared to the previous month. "The pound could bottom out at DM2.20, but we should see DM2.50 this year," he says.

Mr Brett is more pessimistic. "Dealers are being paid a big premium to short the pound and buy one with a higher yield," he said. "They will therefore sell into any rally."

In his view the pound will only be cheap enough to offset the low yield for investors when it has reached DM2.20.

Britain in brief

Early changes to BR service 'unlikely'

British Rail passengers are likely to see few, if any, changes to train services when privatisation gets under way next year, according to a government consultation document to be published this week.

Companies bidding for franchises to take over BR's passenger operations services will be bound by contract to operate BR's 1994 timetable, with only marginal changes in services to reflect market demand.

Later, however, the Department of Transport foresees a gradual evointion in the timetable as train schedules change to reflect what passenger and freight cnstomers want.

The consultation paper aims to fill one of the last big gaps in the government's rail privatisation plans by setting ont the rules for allowing private sector train operators onto the tracks.

UK businesses more confident

Confidence among small to medium-sized companies is improving in Britain but declining in mainland Europe, according to a survey by the 3i investment group and the Cranfield School of Management.

The survey of 3,000 companies in Britain, France, Germany, Spain and Italy shows that many UK businesses believe the recession is already ending. But businesses in the other countries are becoming more worried about sales prospects because of the deterioration in the European economy.

Concern about inflation is highest in the UK and Italy while companies in Italy and Germany are keener than those elsewhere to step up spending in areas such as investment and training.

Lloyd's Names press regulators

Some 200 Names are pressing Lloyd's market regulators to intervene over the rising cost of administering claims against Syndicate 126 which stopped underwriting 10 years ago. "The syndicate has not been run in the best interests of Names to say the least," says Ms Kimbarra Mabon, secretary of the recently-formed 126 Names Association. "The managing agents have not offered any realistic hope that costs can be contained – this is a disgrace".

Egg deadline

The government accepted an independent report recommending that all eggs be stamped with a use-by date and eaten within three weeks of being laid.

Greenham base to be sold

Greenham Common air base, the focus of protests in the 1980s against deployments of US nuclear cruise missiles, was to be sold, Mr Archie Hamilton, armed forces minister, announced.

The Ministry of Defence had "no long-term reqnirement" for the site, near Newbury in Berkshire. But it would have to retain some small enclaves for the time being to fulfil obligations nnder the 1987 Intermediate Nnclear Forces treaty.

Company cars beat recession

Despite the recession there has been no discernible reduction in the provision or quality of cars supplied to employees by companies surviving it, according to the latest annual study by one of the sector's most respected monitoring concerns.

There had also been virtually no interest from employees offered a cash alternative to their cars, according to the Monks Partnership annual review of policies. Although nearly 20 per cent of all companies surveyed offered the cash alternative last year, typically only one in 10 employees was interested.

Decision on dock contract is postponed

By Richard Evans, Ivo Dawnay and James Buxton

THE government yesterday formally postponed any decision on the future of the Royal Dockyards at Rosyth and Devonport, provoking opposition taunts that it is paralysed by fears of a new public uproar over job losses.

Its refusal to decide which dock is to win the crucial contract to refit the nuclear submarine fleet, and a new pledge that both yards will be kept open whatever the outcome, was seen in Westminster as a tactical retreat.

In the wake of the furore over pit closures and the u-turn on infantry cuts, senior ministers are acutely aware that the battle over the submarine contract will have wide political ramifications. Rosyth, in Fife, is Scotland's largest single industrial employer while the future of Devonport, in Plymouth, is regarded as equally central to the economic health of the south-west. A final verdict had been expected early in the new year despite continuous lobbying by MPs and commercial interest groups from both towns.

Justifying the postponement, Mr Malcolm Rifkind, defence secretary, said tenders submitted for the multi-million pound scheme "may significantly understate the likely eventual cost of the work". He said the yards would be asked to re-evaluate the likely costs and that the government would also study "other related matters further" before coming to a final decision.

Downing Street officials said later that it was feared both yards had deliberately underestimated the costs of building submarine servicing facilities to secure the contract. No date was given for a final verdict.

The decision angered Devonport, favourite for contract, but came as a relief to Rosyth. Opposition politicians were quick to seize on the retreat as fresh evidence of indecision and uncertainty at the highest levels of government.

Mrs Margaret Ewing, Scottish Nationalists' defence spokesman, said the announcement did nothing to end the uncertainty and left workers "dangling at the end of a string".

Both Devonport and Rosyth, which have been under separate private sector management since 1987, have regarded the submarine work as vital for their survival.

MPs demand a halt to infantry merger plans

A CROSS-PARTY committee of MPs yesterday demanded further changes in the government's plans for cutting army manpower, David White writes.

The House of Commons defence committee, triumphant after last week's partial climb-down by Mr Malcolm Rifkind, defence secretary, called for cancellation of all further plans to merge or disband UK infantry regiments.

Sir Nicholas Bonsor, chairman of the 11-man committee, said members were unanimous that Mr Rifkind's decision to restore 3,000 army posts and cancel two regimental amalgamations was not enough.

Last week's change increased the target for army manpower in the mid-1990s from 116,000 to 119,000, compared with about 145,000 at present.

The number of UK infantry battalions – excluding the brigade of Gurkhas – has been reduced since last July from 50 to 45. The government's original Options for Change plans reduced it to 36.

Ruling on former Maxwell aide weakens fraud office

By John Mason, Law Courts Correspondent

THE POWERS of the Serious Fraud Office to compel suspects to answer questions were seriously undermined yesterday after Mr Larry Trachtenberg, one of four men charged over the Maxwell scandal, won the first round of a test case against the SFO.

A charge brought by the SFO that Mr Trachtenberg had broken the law by refusing to answer questions during a "Section Two" interview – during which people lose their right to silence – was dismissed yesterday by Clerkenwell Magistrates Court.

The court ruled that because he had already been charged, the former adviser to the late Mr Robert Maxwell had, as the law provides, a "reasonable excuse" for refusing to answer the SFO's questions.

The verdict could significantly hamper a number of the 60 investigations currently being carried out by the SFO. Anyone charged by the SFO could use the same argument as Mr Trachtenberg to avoid answering the SFO's questions under Section Two.

The ruling leaves the SFO with far less room for manoeuvre in trying to compel defendants to answer questions once charges have been brought against them.

The SFO would say only that it was considering the implications of the yesterday's decision.

However, it is thought certain that the SFO will now seek an appeal against the decision and that the issue will have to go to the House of Lords, Britain's highest court, for a final resolution.

During the hearing, Mr Trachtenberg, who was arrested in June last year, argued that he had a "reasonable excuse" not to answer questions under compulsion since he had already been charged with theft and fraud.

Mr Trachtenberg, who had faced a prison sentence of up to six months, made no comment after the hearing. His solicitor, Mr Rod Fletcher of Russell Jones Walker, said his client's actions in refusing to answer the SFO's questions had been "fully vindicated".

Kevin Done examines plans aimed at saving jobs and keeping the truckmaker in business

Receivers start salvage work at Leyland Daf

THE receivers for Leyland Daf believe several parts of the leading UK truck maker's operations can survive last week's collapse into receivership.

The group will probably be broken into its constituent parts, however. There will be heavy job losses and some of sites will close.

Talk of an outside buyer – speculation has focused on truck makers such as Paccar of the US and Hino of Japan – is "very premature", and no formal contacts have been made.

In the first week since their appointment as joint administrative receivers for Leyland Daf, Mr John Talbot and Mr Murdoch McKillop of accountants Arthur Andersen, have done little but fight the immediate fires.

"We have been spending every hour there is to stabilise trading," said Mr McKillop. "Our main aim has been to stabilise the sales and production operations. Then you can have a stabilised business to sell."

To date the receivers have:

- Agreed financing for the short-term working capital needs of Leyland Daf amounting to £7m – the sum they requested from Daf's banking consortium.
- Made arrangements for the immediate salary payment for the 5,500-strong Leyland Daf workforce in the UK.
- Set about restoring production at the plants in Leyland, Lancashire and Birmingham.
- Made arrangements with the court-appointed administrators for Daf in the Netherlands, that should allow the resumption of the "vital" two-way flow of trucks and components between the UK and the Dutch and Belgian operations.
- Addressed dealers from across the country to try to hold some confidence in the crucial dealer network.

Daf trade union officials in the Netherlands have called a mass demonstration in Eindhoven today in a move aimed at pressing the case for the company's survival. Union sources said the rally is also intended to send a strong political signal to The Hague about the financial plight of the over 3,250 workers to be laid off under the Daf restructuring scheme. Half the 6,500-strong Benelux workforce is likely to be cut as part of the salvage plan. The Hague has committed itself to a capital injection of about Fl.200m in the new company, but so far no provision has been made for redundancy compensation.

Now the hard work begins to assess what can be salvaged.

Both the UK receivers and the Dutch administrators are effectively responsible to the same consortium of international banks led by ABN-AMRO of the Netherlands and including National Westminster, Barclays and Lloyds from the UK. The Daf manufacturing operations – including Leyland Daf in the UK – have a total bank debt of around Fl 1.1bn.

The UK receivers believe the rescue plan being prepared by the Dutch administrators, which calls for the creation of a new limited company with the working title of "New Daf", could make good sense.

This new entity would absorb the "core operations" of Daf's Dutch and Belgian medium and heavy duty truck activities. Most importantly for the UK, "New Daf" would probably include Leyland Daf's truck assembly operations at Leyland, Lancashire.

Both sides believe "New Daf's" future lies in being able to continue to offer an integrated product range to the 1,300-strong Daf dealer network across Europe.

Mr McKillop maintains that Daf's van products made in Birmingham do not belong in the "New Daf" strategy.

The actual ownership of a slimmed-down Leyland truck assembly operation within "New Daf" is still to be resolved. It could be wholly or part-owned by "New Daf" or could be partly owned by UK interests, perhaps with management or UK dealer interests. The vital element, however, is that this operation would be tied in by ownership or supply contracts to "New Daf" and remain an integrated part of the Daf truck range in the showrooms.

Even under this plan there will still have to be painful job cuts at the Leyland site. Many of these jobs are at risk as output falls in line with weaker demand expected in Europe.

The long-term future of the Birmingham plant depended on Daf's ambitious joint venture with Renault of France to develop a new generation of medium and heavy vans, code-named Excel, for launch in the mid-1990s. This was to have been built both in Birmingham and at Renault's van plant at Batilly in eastern France.

As far as Daf is concerned, this project appears to be dead. It is understood that even before the receivership, Daf had decided that it would have to pull out of the project.

Around 270 Leyland Daf jobs in the UK, mainly in Birmingham are tied up with the Excell and are immediately at risk. Urgent discussions are being held with Renault to clarify, whether it intends to press ahead with the project alone or with another partner.

Without Excel and excluded from "New Daf", the Birmingham plant – with around 2,000 jobs – faces an uncertain future.

The receivers believe it could survive in a reduced form, with a strategy directed towards producing very basic, low-price, utility vans.

At Glasgow the receivers will seek to make the Albion van and truck axle plant into an independent operation with the hope of selling it to an engineering sector buyer. They also hope to find a buyer for Leyland Daf at Chorley, which has a modern distribution operation with an annual turnover of around £100m and some 400 workers.

Parts sales are vital. Much better returns are derived from after-sales operations than from the sale of a new vehicle – so a "New Daf" would be interested in a continuing link with the parts business, possibly through royalty payments.

Unipart, which already distributes parts for vehicle makers such as Rover and Jaguar, could be a potential buyer.

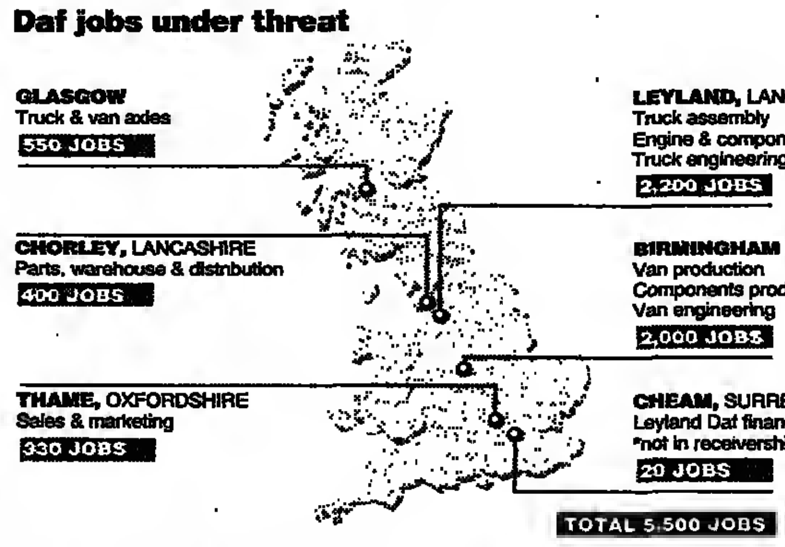
The Leyland Daf sales and marketing operation at Thame with around 330 employees is expected to be much reduced in size and will probably be moved.

"New Daf" will have to have a sales and marketing operation in the UK, however, to run the dealer network, so a slimmed-down operation is expected to survive.

Leyland Daf Finance is not in receivership in the UK, but the Dutch administrators have said that Daf Finance, its Dutch parent company will be "run down and closed". There could be temporary difficulties, but UK dealers and customers are expected to be able to find alternative sources of funds from other UK finance houses.

Whatever strategies are evolved by the receivers for Daf and Leyland Daf, big job losses are inevitable. The pain is likely to begin before the end of this week.

Daf jobs under threat



LEGAL NOTICE

Notice of Appointment of Joint Administrative Receivers

KENT GEARS AND ENGINEERING LIMITED

Registered number: 2495562. Nature of business: Manufacturing/light engineering. Trade classification: 07. Date of appointment of joint administrative receivers: 3 February 1993. Name of person appointing the joint administrative receivers: National Westminster Bank plc. N J Vooght and C J Hughes Joint Administrative Receivers (Office holder nos 6339 and 2041).
Coopers & Lybrand,
St Andrew's House,
20 St Andrew Street,
London EC4A 3AD.

COMPANY NOTICES

BRAMALEA LIMITED

NOTICE OF AMENDMENT OF THE PLAN OF COMPROMISE OR ARRANGEMENT FILED BY BRAMALEA LIMITED AND OTHER APPLICANTS PURSUANT TO THE COMPANIES' CREDITORS ARRANGEMENT ACT (CANADA)

NOTICE IS HEREBY GIVEN that Bramalea Limited ("Bramalea") and other applicants (collectively, the "Applicants") have, on February 5, 1993, applied to the Ontario Court of Justice (General Division) to effect certain changes in the Plan of Compromise or Arrangement (the "Plan") filed by the Applicants on December 22, 1992. The amendments to the Plan provide clarification of the treatment to be afforded certain Creditors (as defined in the Plan).

Amendments to the Plan are described, in part, in the Supplement to the Information Circular (the "Supplement") dated February 5, 1993, which amends and supplements the information contained in the information circular (the "Information Circular") dated December 23, 1992. The *Supplement, together with the Plan, as amended, attached as Exhibit A to* the Supplement and blacklined to reflect all amendments since the mailing of the Information Circular, will be forwarded by regular letter mail on or before February 8, 1993, or by personal service on or before February 10, 1993, to all known Creditors of Bramalea. *In order to determine whether a* Creditor is affected by the Plan, as amended, reference should be made to the documentation contained in the mailings referred to above. **If you did not receive such documentation and wish to determine if you are affected by the Plan, as amended, copies of the documentation will be available for pick-up by Creditors after February 8, 1993, at the offices of the Montreal Trust Company of Canada, or at the offices of Euroclear or Cedel listed below, or from Bramalea by calling (416) 864-6565.**

It is incumbent upon all persons with a connection or relationship with Bramalea or any Applicant to ascertain whether they are affected by the Plan, as amended. All Claims will receive the treatment set out in the Plan, as amended.

In accordance with the Notice of Proceedings and Special Meetings of Certain Creditors of Bramalea and Other Applicants (the "Notice") dated December 23, 1992, a meeting for each Class (as defined in the Plan) will be held at the Holiday Inn Downtown City Hall, 89 Chestnut Street, Toronto, Canada at the times and locations set forth in the Notice.

The application for the final order approving the Plan (the "Final Order") is scheduled to be heard at 9:00 am (Toronto time) on Wednesday, February 24, 1993 at Osgoode Hall, 130 Queen Street West, Toronto, Canada. Further notice of the application for the Final Order will only be made pursuant to an order of the Court.

Creditors requiring assistance with completion of the proxy documentation may call the Montreal Trust Company of Canada at (416) 860-5915 for assistance.

This notice is given by Bramalea on behalf of all the Applicants.

DATED at Toronto, Ontario, Canada, this 5th day of February, 1993.
By Order of the Board
Charles Simon
Secretary

OFFICES OF MONTREAL TRUST COMPANY OF CANADA

Montreal Trust Centre	411-8th Avenue S.W.	The Eaton Centre
510 Burrard Street	Calgary, Alberta	1101-10200-102 Avenue
Vancouver, B.C.	T2P 1E7	Edmonton, Alberta
V6C 3B9		T5J 4B7
(604) 661-9400	(403) 267-6800	(403) 422-8181
15 King Street West	Place Montreal Trust	
5th Floor	1800 McGill College Avenue	
Toronto, Ontario	Montreal, Quebec	
M5H 1B4	H3A 3K9	
(416) 860-5915	(514) 982-7000	

EUROCLEAR AND CEDEL OFFICES

Euroclear Operations Centre	Cedel S.A.
# 4 Rue D'La Regence	67 Rd. Grande-Duchesse Charlotte
B1000 Brussels	L-1010 Luxembourg
Belgium	(352) 44 99 25 22
(322) 519-2545	

PEOPLE

Mathieson returns to Rover

One of the more senior Eindhoven-based sales and marketing executives of DAF, the collapsed Anglo-Dutch commercial vehicle maker, is back at a desk within the UK's Rover Group.

The return to Rover of Sandy Mathieson (right), who is to become commercial director of Rover's UK car sales, reunites some of the key figures who in the 1980s shaped the fortunes of DAF's Birmingham-based vans subsidiary. The latter is now – lika the rest of DAF's UK operations – in the hands of receivers.

Mathieson's welcome back on board at Rover, formerly *British Leyland*, is courtesy of

George Simpson, Rover's chairman. Simpson himself is a former managing director of Leyland DAF, appointed soon after the formerly UK State-owned Leyland truck and van operations were merged with DAF, under Dutch control, in 1987.

Simpson first made his name, however, by turning round the vans operation – then known as Freight Rover – into a profitable enterprise in the years leading up to the DAF takeover. Mathieson was his right-hand-man as sales and marketing director.

Mathieson will also be joining Graham Morris, managing director of Rover Europe, who oversees sales and marketing operations for Rover cars and Land Rover/Range Rover 4wd vehicles throughout Europe.

John West resigns

John West has resigned as non-executive chairman of Dalgety, the food group, and of Bridon, maker of wire rope and engineered products, having just suffered a stroke.

Dalgety has appointed Manrice Warren, chief executive, to succeed West, 65, who became chairman of Dalgety only last Septemher. Richard Clothier, who had been due to become chief executive when Warreo turns 60 in June, will now do so on April 1.

Warren has agreed to remain chairman for the indefinite future and says the appointment will not affect his plans to become oon-executive chairman of the South West Electricity Board in June.

Bridon yesterday named Derek Edwards, a non-executive director of the company for the past eight years, as chairman, and Brian Clayton as chief executive.

Clayton has been responsible for day-to-day executive decisions since David Allday resigned as chief executive in September.

■ John Hogan has heen appointed chief operating officer of Lasmo, the independent oil exploration and prodnction company. He replaces Joe Darhy who recently became chief exeentive after Chris Greentree decided to step down.

John Hogan has been managing director of Lasmo'a North Sea operations for the past four years. At 39, he is generally regarded as one of the industry's younger generation of pragmatic managers who have to weigh more keenly the financial risks and rewards of oll exploration in a climate of persistently low oil prices.

He is a qualified geologist and has worked in the industry since leaving university. With previons positions at Shell UK, Britoil and Elf, he joined Lasmo in 1981. As chief operating officer, he will have responsibility for the day-to-day management of Lasmo's worldwide operations.

Hogan is snceeeded as managing director of Lasmo North Sea hy Russell Harvey, currently production and operations director.

■ National Home Loans, the centralised mortgage lender, has reinforced its senior management to cope with the task of administering its £2.62bn of mortgage assets and restoring its fortunes hy repaying its £700m on-balance sheet debt.

NHL, which came close to collapse last year because of losses on lending, has appointed two executives who left Nationwide Building Society last year.

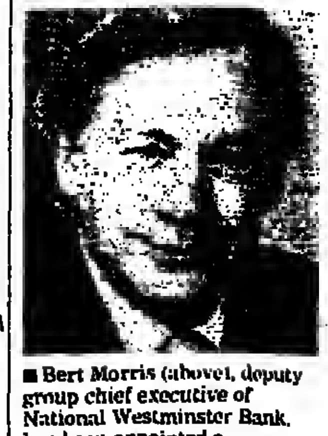
Christopher French, who was at Nationwide for 22 years, has been appointed chief operating officer of NHL. He will take over the running of NHL's operations in Solihull from Jonathan Perry, the company's executive chairman.

Brian Murkin, a chartered accountant who joined Nationwide in 1979, and was divisional director of management services there before leaving last year, has become the divisional director for finance, also based in Solihull. He will back up Nigel Terrington, the finance director who now splits his time between Solihull and the treasury operations in London.

NHL says the change of management does not necessarily augur a change in plans for the future of the group after it has managed to restructure and repay debt and work out bad loans in its National Mortgage Bank subsidiary.

National Home Loans lost £146.4m last year after making provisions of £138.5m to cover possible bad debts.

Bodies politic



■ Bert Morris (above), deputy group chief executive of National Westminster Bank, has been appointed a non-executive member of the management board at the DEPARTMENT OF SOCIAL SECURITY.

■ Jean Gaffin, former treasurer of the Parliamentary Advisory Council on Transport Safety, has been appointed chairman of OFTEL's advisory committee on Telecommunications for Disabled and Elderly People.

■ James Davis, chairman of DFDS, Bromley Shipping, and TIP Europe, has been appointed a trustee of the NATIONAL MARITIME MUSEUM.

■ Philippe Giraud, senior partner in the Bossard Group, has been elected president of the EUROPEAN FEDERATION OF MANAGEMENT CONSULTANCY ASSOCIATIONS.

■ Gil Gray, BA's chief pilot for Boeing 757s and 767s, has been appointed a member of the CIVIL AVIATION AUTHORITY on the retirement of Brian Trubshaw.

■ David Swan, formerly European affairs director of Imperial Tobacco, has been appointed chief executive of the TOBACCO ADVISORY COUNCIL.

■ Leo Schoevers, a director of HCS InfoTech in the Netherlands, has been elected senior vice-president Europe, Africa and the Middle East of the ASSOCIATION FOR SERVICES MANAGEMENT INTERNATIONAL.

Lord Eden, Allan Jonnes and Matt McBride – an apology

On January 18, in an article about the Bricom Group Ltd and its recent management changes, we wrongly stated that the Bricom Group is in a disastrous financial situation and implied that the former management team of Lord Eden, Allan Jonnes and Matt McBride was to blame. We fnlly accept that this was totally untrue. We are assured that the Bricom Groop prospered under its former management and is in a sonnd financial position. We understand that the management changes resulted from a change in the strategic direction of the Bricom Groop. We greatly regret the damage and embarrassment caused hy our article to Lord Eden, Mr Jonnes and Mr McBride.

BUSINESS AND THE ENVIRONMENT

The controversial US Endangered Species Act may soon be even tougher on land users, writes **Victoria Griffith**

Halting industry in its tracks

Funding for the Endangered Species Act is coming up for approval by the United States Congress this year. Businessmen and women from sectors as diverse as farming and real estate development will be affected by the government's decision on the funding bill.

In its 20 years, the Endangered Species Act has become one of the most controversial environmental laws to hit the books. Species protection has led to vitriolic, even violent, confrontations between environmentalists and workers in sectors such as logging and fishing.

The power of the Act is forbidding. Soon after being signed into existence in the 1970s, the ESA was used to delay construction of the $120bn (£80bn) Tellico Dam in Tennessee to protect the rare snail darter fish. The Act has continued to have far-reaching effects on land use industries.

The confrontation in tha Pacific Northwest between loggers and defenders of the rare spotted owl became a 1992 election issue, and the theme of "putting people first" (before animals, that is) was at the heart of many of George Bush's campaign speeches in the region. Loggers, with the support of tba then president, felt their jobs should take precedence over the rare bird's babitat.

The Act has affected many other industries. Oil companies claim their drilling activities have been limited unnecessarily. Farmers in the west complain of severe grazing restrictions to protect certain species of bird. And real estate developers in southern California are bitter over building curbs to protect the kangaroo rat.

Under the decidedly pro-environmentalist Clinton administration, most observers expect the Act to be not only renewed, but strengthened.

Hundreds of species have been added to the endangered list, but only five have recovered enough to be removed from it

Under consideration will be:

- Measures to speed up the process by which species are listed as endangered.
- The possibility of listing entire ecosystems, not just species, under the Act.
- Increased funding for policing of the Act.
- Harsher penalties for offenders.
- Possible compensation for landowners who find endangered species on their property.

The ESA has ardent supporters and detractors. Its most extreme opponents propose listing rare animals as "relic species" which could not adapt to the late 20th century. Instead of maintaining a natural habitat for these species, tbesa activists propose breeding the animals in captivity in order to prevent their extinction.

Certain "dune-buggy" recreation clubs have claimed that their right to ride vehicles on beaches and desert turf should take priority over tbe preservation of animal and bird life. And stories have circulated in the Florida press about landowners wbo poisoned rare turtles nesting on their property rather than face huilding restrictions.

More moderate opponents of the ESA say it threatens many Americans' livalihood. A particularly bitter battle is brewing over the rights of shrimpers in the Gulf of Mexico. Gulf coast shrimpers are angry about turtle excluder devices (Teds) which they have been forced to install in their netting. The device is a kind of trap door which allows sea turtles to escape.

"The problem is, it also lets the shrimp out," says Darcy Keefe, a fourth-generation shrimper. "We'd like to comply with the law, but we also have to make a living." Keefe says most of his sbrimping colleagues have been forced out of business by the ESA.

The National Wildlife Federation in Washington DC, bowever, claims Teds are one of the Act's biggest success stories. According to the federation, the devices annually save about 55,000 sea turtles that would otherwise drown in shrimp nets. And a study released by the organisation last year claimed that Teds actually caused little hardship. The report noted a 15 per cent increase in shrimpers' average daily catch since the Ted regulations applied.

Shrimpers say the study tells only one side of the story. "Each vessel may be catching more shrimp, hut that's partly because there are fewer shrimping boats out there," says Keefe. "And the Teds are heavy; they stretch our nets, and we have to pay the extra cost."

The black bear: a legal hunting target in Louisiana until shortly before listing

In another bitter ESA dispute, the Pacific Northwest Generating Co-operative, which provides hydro-electric energy to many communities in the northwestern states, says it faces additional costs of between $1bn and $5bn to save rare salmon on the Columbia River.

Environmentalists would like the company to aid salmon migration by drawing down reservoirs behind the dams to push up water levels at certain times of the year. But the company says that would mean prohibitively expensive alterations to the dams already in place on the river.

"It's not just the hydro-electric power that's at risk," says David Harper, director of legislation for the group. "Changing the river levels would have an impact on shipping along the waterway, which in turn affects farmers trying to get their wheat to port."

The history of the ESA is littered with smaller casualties, too. Edward Lee of Kansas used to make a living by collecting gravel from streams to sell to businesses. A few years ago, he was forced to shut his operation in order to protect an endangered catfish laying eggs in the gravel. Richard Christie, a Montana rancher, found himself unwittingly in violation of the law when he shot and killed a grizzly bear that was feeding on his sheep.

Opponents of the ESA say that environmentalists often invoke the law to protect land they prefer to see undeveloped. But many environmentalists contend there is nothing wrong with this approach.

"Many of the industries which are affected by the law make money by abusing public resources," says Michael Bean, chairman of wildlife for the Wildlife Defence Fund in Washington DC. "We are in many cases faced with inadequate land use restrictions."

In spite of the strong emotions, some activists are convinced that compromise is possible. One success story is a deal between environmentalists and Louisiana loggers to protect the black bear. The loggers promised to leave tree corridors to allow the bears free access to their hunting areas. The environmentalists, for their part, agreed to allow a certain amount of logging in the bears' habitat.

An unlikely alliance has also formed between some environmentalists and property rights activists, who are pushing Congress to offer financial incentives to landowners who find rare species.

"We've heard the stories about turtle poisonings in Florida," says Adam Roberts, research assistant for the Animal Welfare Institute in Washington DC. "Obviously, we don't want that to happen, so we're lobbying for better compensation to property owners."

Activists on both sides of the issue are also pushing for earlier listings to prevent crisis confrontations. One Louisiana logger pointed out that the black bear was a legal hunting target until shortly before listing as an endangered species.

"We believe the Act could be more efficient if listings occurred earlier," says Kathleen Hartnett, a director of the National Cattlemen's Association. "And we also think the law could be applied more efficiently."

Hartnett points to the ESA's limited success in restoring many species to healthy levels. Hundreds of species have been added to the list, which is expected to top 1,100 by 1996, but only five have recovered enough to be removed from it.

"We think more money should be applied to the recovery of species which stand a real chance, while others should be abandoned as basket cases," says Hartnett.

Although opponents and supporters of the Act are beginning to work together, the two sides are probably on course for more bitter clashes over the next few years.

And if the Act is strengthened, as is expected, land use industries in the US may have even more to lose in the battle to preserve biodiversity in the US.

Sceptical ears are deaf to old refrain

By Bronwen Maddox

Destruction, deterioration and degradation of the environment is the refrain of the 10th edition of State of the World, tbe annual bihle of the Worldwatch Institute, a Washington DC-based think tank known for its gloomy forecasts of the world's futnre.

The institute and its founder, Lester Brown, have built a considerahle international reputation on the back of this annual compilation* of reports and essays, translated into 27 languages.

Bnt despite this year's emphasis on the economic costs of environmental damage, the book is part of that broad stream of environmental writing likely to be of interest mainly to the converted.

The collection – each of the nine chapters hy a different anthor – bombards the reader with warnings of disaster and exbortations to action, from reviving coral reefs to "rediscovering rail" and "preparing for peace".

This apparent lack of discrimination between prohlems is particularly marked in Brown's opening chnpter, which crams a reference to most environmental issues into 17 pages. The problems have never been greater, he claims, while faith in science to solve them bas shrunk.

Assumptions are preseoted aa fact in suh-clauses snch as "...given the deteriorating state of the planet..." along with other highly debatable views.

One of his central claims is that "the environmentally destructive activities of recent decades are now showing up in reduced productivity of croplands, forests and fisheries...in rising bealth care costs for cancer, birth defects, allergies, empbysema, asthma". However, these sweeping assertions ignore the argument that increased incidence of cancer in industrialised societies is partly dne to people living longer – hy many standards a sneeess. Nor do they qnestion how mnch food production in Africa or the former Soviet Union has been affected by political disruption.

His most amhitions claim is perhaps that we bave arrived at "the end of rapid GNP growth", and that the "worldwide" recession he bas identified is caused partly by "environmentol degradation". His study quotes scientific reports suggesting that annual "losses" from sulphur deposits on European forests could be $30bn (£20bn) a year. However it does not attempt to offset these against the extra costs that would fall on industry from cleaning up, and so is able to reach the conclusion that sucb pollution is causing a "heavy economic toll".

A reluctance to recognise successful responses to threats is also detectable in statements such as: "In Rio [at last year's Earth Summit] the risks to life posed hy the loss of stratospberic ozone were on everyone's mind, a threat not even imagined in 1972." But treaties to phase out ozone-depleting chemicals were in place at that point, which gave many Rio delegates hope that more complex problems of climate change could be successfully tackled.

When pressed on these questions face to face, Brown gives clearer answers than his text, and ranks population growth and global warming as the most important tbreats. Many would agree with those priorities, including the new Clinton administration, whicb bas just indicated that it will restore public funding for the United Nations Population Fund, curtailed in the 1980s because of domestic objections to work involving abortion.

Although relnctant, like many environmentalists, to welcome nnclear power as a solution to the carbon dioxide problem, he says: "Our objections are not for ideological reasons but for economic ones – it doesn't look to us as though nuclear is going to make it." He also argues: "I'm not saying there aren't solutions for environmental problems, just that we can't keep on doing what we're doing."

However, few of thosa qualifications have made it into print. Tbis year's Worldwatcb report is dispiriting because of what it suggests abont the state of environmental debate, rather than tbe state of the world.

State of the World, 10th anniversary edition, Worldwatch Institute, Earthscan Publications, 120 Pentonville Road, London N1 9JN. pp268, £9.95.

MANAGEMENT

Asea Brown Boveri is transforming its factories by slashing lead times, reports **Robert Taylor**

Resetting the clock

Percy Barnevik, ABB's chief executive, is the driving force behind the T50 strategy to revolutionise working practices

Asea Brown Boveri, the Swedish-Swiss engineering giant, is going through what it calls "a new industrial revolution" in its plants around the world.

Known as the T50 strategy in Sweden, where it is most advanced, it has a firm objective: to halve all lead times in the company's activities by the end of this year. This is being done by decentralising work responsibilities and widening individual worker skills within teams.

"We have made work cycle times the instrument for reform," declares Bert-Olof Svanholm, ABB's Swedish president, the inspiration behind T50. "Time at work is a concept everybody can understand."

The company can point to some early successes for the strategy. In its power systems production it has cut the time for making high-voltage direct current transmission equipment from three to two years. The time for supplying customers with standard switch gear has fallen from three to five weeks to three to five days from receipt of the order to delivery. Cycle times in ABB's components division have been reduced from 86 to 35 days.

ABB started to introduce T50 into its Swedish plants in June 1990. In the company's words it is "a programme with a beginning but no end". An estimated half of the company's 32,000 Swedish workers are now involved actively in the strategy with most of the rest in the initial stages. So far the company claims that, on average, cycle times have been slashed by 21 per cent and more than 300 high-performance teams have been created.

Until now, ABB argues, most companies have given the highest priority to reforming direct production methods. "For too long the direct production area alone has been the *autostrado* of manufacturing and little attention was being given to what happened before and after it," explains Svanholm.

He draws inspiration for the strategy from the practice of lean management so widespread in Japan's auto industry. "We are trying to blend Japanese methods with the Swedish work culture," he explains.

The drive behind T50 has come from the top of ABB under the direction of Percy Barnevik, the company's charismatic chief executive. He made his senior managers read and digest the influential management study from the Boston Consultancy group – Competing Against Time – when it was published three years ago.

The company is perhaps better suited than most Swedish enterprises to introduce the time-based concept into its operations. "We have become a very decentralised organisation over the past 10 years," explains Svanholm. "If we had tried this in the old days of stratified management hierarchies there would have been so much resistance and it would have been abandoned within a fortnight."

It was the structural change pushed through by Barnevik in Asea during the early 1980s that paved the way. The T50 concept was a logical evolution from the existing organisation, not a radical break with past practice.

T50's most important result has been to place the much-hyped, but seldom-practised, principle of customer satisfaction at the centre of ABB's priorities. "The customers are our focus. We must respond to their demands for the delivery of orders on time," says Svanholm.

It is the close alliance forged between the company and the trade unions that smoothed the way for T50. Indeed, says Svanholm, the trade unions at ABB are as enthusiastic as the company in transforming the work process. "They were in on the strategy from the start," he points out.

According to Klaus Eklund, who headed a government-commissioned inquiry into Sweden's productivity problems, ABB has gone much further than other companies in creating "a coalition between progressive management and blue-collar unions in boosting productivity".

The unions, moreover, have established their own committees to monitor T50 and make sure it works with the full involvement of their members. Without such co-operation it is hard to see how T50 could make any headway in ABB's Swedish plants, where the unions remain powerful.

'There is a lot of bullshit in management theory about treating people as a human resource'

In part, the strategy has developed in response to the expressed views of the company's own employees. Three years ago ABB commissioned an independent opinion survey of the shopfloor mood. It found that while manual as well as white-collar workers were loyal and committed to the company they felt they did not enjoy enough influence over their own working conditions, their work was not being managed effectively enough and there was a lack of team spirit.

Such findings strengthened Svanholm's conviction that the company needed to reappraise its attitude to its own employees. "We want to create a new kind of independent-minded, all-round worker," he explains. "There is a lot of bullshit in management theory about treating people as a human resource. But too often that has meant very little in practice. We really do believe workers should become adaptable and independent and as a result gain more control over their own work."

For ABB T-50 means the prospect of bigger profits, better productivity and higher-quality products as well as lower absenteeism and labour turnover. For the employees it means a better working environment, greater job interest with constant skill upgrading, and eventually a better wage rate linked more closely to individual effort.

The creation of what ABB calls Target Oriented High Performance work teams made up of 10 to 15 workers is crucial to the T50 strategy. "The old system handed down orders from above through different, fragmented departments and it was very time-consuming," explains Kenneth Synnersten, ABB's executive vice-president in charge of T50 in Sweden. "Now we organise around the flow of production through the team approach."

The traditional system involved specialised demarcation of responsibilities for sales, inventories, production and distribution with an inevitably high level of bureaucratic managerial control and top-heavy administration. By creating smaller, flexible work teams with wider responsibilities the frontiers between administration and production have been abolished.

The new strategy has also brought the collapse of the barriers separating white- from blue-collar workers. Now all ABB employees are called "associates" and under new agreements will have the same pay rates, working hours, holidays and travel allowances, although this has brought some difficulty with some white-collar workers who fear a threat to their status.

T50 has also introduced what Svanholm calls a "flat organisation with fewer bosses and more workers taking on responsibilities". As a result the functions of ABB's line managers have been transformed.

"They have many more demanding job tasks to do now," says Svanholm. "Before they were a combination of policeman and errand boy. Now they act as a support for workers." The foremen and the production engineer are being turned into "coaches" who move between the work teams to assist when needed.

The company puts a strong emphasis on training and education. The need to upgrade worker skills lies at the heart of the T50 strategy. What ABB wants is to heighten the competence of each worker within the team.

The strategy, however, is not trouble-free. It is being introduced at ABB in the middle of recession. "So far this has not affected the programme," insists Synnersten. But the strategy means a leaner workforce. Without any growth in production up to a quarter of ABB's jobs may disappear as a result.

"Yes, T50 will mean fewer jobs," admits Anders Vallius from the Metalworkers union. "But if we can increase sales in the longer term then employment opportunities will go up as well. We know ABB must stay ahead of its competitors."

Survival of the best qualified

Alan Cane examines the strange case of the vanishing IT directors

Information technology directors, sometimes called chief information officers, enjoyed a brief moment of glory in the late 1980s. Since then, they have begun to resemble an endangered species. A surprising number of these highly qualified and capable individuals, including some well-known names, have either resigned or lost their jobs.

Michael Earl, a professor at the London Business School, and Philip Vivian of the executive search firm Egon Zehnder were intrigued by the "mystery of the vanishing CIOs" and set out to compile a survival kit* for what many now acknowledge as the toughest job in a company, combining technical competence with general management abilities.

CIOs emerged in the 1980s as the realisation grew that IT could have an influence in a company well beyond cutting administrative costs. IT budgets increased sharply on the promise of computer-based competitive advantage and CIOs were appointed to manage and exploit the technology.

But CIOs made chief executives feel insecure. One told Earl and Vivian: "What keeps me awake at night is not knowing whether my IT director is doing a good job."

Careful comparison between 10 CIO "survivors" and 10 who had failed to stay in post revealed five significant differences:

- Relationship building. Survivors actively built relationships with their peers and superiors in ways which enabled them to command support for IT within the organisation. It took time and effort. One survivor claimed it took two years to interest and educate a new senior executive.

Non-survivors, on the other hand, fought shy of these relationships. One agreed he did not enjoy "the diplomacy and politics required in a corporate role".

- CEO relationship. Survivors were close to the CEO and enjoyed their support for IT investments. Non-survivors had a poor or non-existent relationship with their chief executive. Typical comments were: "With successive organisational changes, I became more remote from the managing director and when we had a bad patch, I had no support or sponsor," or: "He was the wrong guy to take IT forward: he was obsessed with costs."
- Shared IT vision. Survivors worked to create a vision for IT's contribution to the business and made sure it was shared with the company's senior executives. Non-survivors either hugged the vision to their chests: "The global information systems strategy was my vision alone," or complained about the lack of one: "It was a very short-term sort of business."
- Sensitivity. Survivors seemed to have a fine sense of which battles to fight and which to avoid: "Be dynamic, but only in what the company is ready for," concluded one. Non-survivors, on the other hand, were often at odds with senior management over important policy shifts. "Being antagonistic once or twice works, but in the long run it is wearing on people," said one sacked CIO.
- *Credibility.* Survivors delivered the goods operationally. "We are a factory," one survivor said. "If the organisation is not satisfied with operations the whole view of IT is affected," said another.

Non-survivors often met neither performance nor financial targets.

Survivors also combined technical know-how with social skills and had spent more time in data processing than non-survivors. General managers pressed into the role of CIO prove unsatisfactory, Earl and Vivian conclude.

They suggest that chief executives should treat IT as a legitimate "nursery" for the company's best talent and seek to develop young executives' IT expertise by a spell in data processing.

But CIOs find it hard to break out of the IT mould, even at a price. One former CEO and CIO said: "I want to take up a CEO job again, but I only get offered CIO jobs. I would want four times the rate for being CIO that I would accept for being CEO."

**The role of the Chief Information Officer: a study of survival. Available free from the London Business School or Egon Zehnder International, Mayfair Place, London W1X 5FH.*

ARTS

Television/**Patricia Morison**

The killing fields brought home

In the wrong part of Sarajevo, the washing-up can cost you your life. Panorama's *Forcing a Peace* (BBC 1, Monday) began with reporter Martin Bell and his crew filming people who daily run the gauntlet to fetch water from a tap in a cellar, the only running water left in their neighbourhood. Each day, Serb snipers pick off their toll of victims. We saw a young man shot in the thigh, saw the fresh wound, and his puzzled expression suddenly wiped away by the white-faced immobility of shock. Bell's interpreter, a doctor, staunched the wound and the BBC jeep did duty as an ambulance.

This was a notable feat of reporting and deeply harrowing. Bell's team filmed the fighting in the front-line of the battle, from trenches cut through Sarajevo's Olympic Village. Killing and the daily struggle to live are closely intertwined. As trees in the parks are hacked down for firewood, the snipers' aim gets ever more accurate. The parks, and now a football pitch, have been taken over for cemeteries. A bread-queue makes an easy target.

Over the months, film-clips on the news broadcasts have tended to become clichés which actually make it harder to register what life can actually be like in Sarajevo. Time and again, we have seen puffs of white smoke drifting over what still seems like a picture-postcard prospect of tiled roofs, tawny-coloured churches and minarets. Film of UN military vehicles on the road to the airport can become an image of normality. Last night's images gave the lie to that when we saw UN vehicles speed past a young woman lying by the roadside in a pool of blood.

It takes time to bring home the savagery of the war in Bosnia. Monday night's *Panorama* seemed like a very long 40 minutes. A Moslem woman spoke of months of captivity with 12 other women, and of being subjected to rape once, twice, or more at night. She spoke, too, of a six year-old girl held with them. A UN worker described in detail the manner in which amputations had been carried out in one hospital in a besieged Moslem town. Children endure that, too, and the wonder is that some of them even survive.

Bell's point was a simple one; that the ordinary Bosnians' suffering has been so great that the outside world must now intervene to force a peace. Rightly, he did not get into discussion of precisely how that might happen, and what it might cost in non-Bosnian lives. His aim was an unsparing and, in the end, even-handed presentation of the ghastliness of this war. In a Bosnian Serb village, 23 were massacred, either shot or their throats cut in cold blood. Their corpses lay in a room awaiting burial, white and stiff as tailors' dummies. Some had been shot, others had had their throats cut.

For some reason, in the UK the Bosnian tragedy has failed to trigger that mysterious thing, a public sense of pity and outrage. The trivialisation of TV news can hardly have helped. Last year's revamp of ITV's *News at Ten* has left it with a glib format which on some nights teeters on the edge of inanity. Serious current affairs documentaries of the calibre of *Panorama* are more to be prized than ever.

Until this week, I had a false image of what going down the Nile on a pleasure-boat entails. My mental picture was of people on deck-chairs beneath an awning, looking with rapt interest at the immemorial landscape of palms, peasants, and water-buffalo. But apparently it is not like that at all, according to BBC 2's Assignment report on Egypt, *The Gun and the Veil* (Tuesday).

These days, people go down the Nile lying side by side, nearly naked and sweating oil rather in the manner of sardines on toast. It seems not so hard to sympathise with the views of Omar Abdul Rahman, leader of the Islamic League. The sheikh is a venerable, blind, holy man who lives in voluntary exile in New York after being tried, but acquitted, on the charge of ordering President Sadat's assassination. He inveighs against tourists as the work of the devil, polluting the land with gambling, adultery, prostitution, AIDS, etc.

Unfortunately, the sheikh's words did not make clear whether he will tolerate on Egyptian soil the kind of discreet, respectably dressed tourist who wears ankle-length skirts and a head-scarf. Since followers of the Islamic League have murdered a small number of tourists, one would have appreciated a directive from the sheikh. At any rate, substantial damage has been done to the tourist trade, allegedly down some 30 to 50 per cent this year, causing the Egyptian government to lose millions of dollars in revenue.

And yet, there is far more to the rising tide of religious orthodoxy in Egypt than highly-publicised violence against westerners. In a poor (albeit by no means the poorest) district of Cairo, the kind of area where tourists never penetrate, the blocks of flats look onto lakes of sewage. In such districts, the Moslem Brotherhood runs cheap yet effective clinics where doctors and nurses show themselves to be kind, compassionate, honest – in a word, to be good Moslems. This sane and sympathetically made documentary showed that it is qualities like these which may be the keenest weapon in the armoury of so-called Islamic fundamentalism.

Femme Fatale by Simon Gray, in the current season of *Screen 2* (BBC 2, Sunday), was a black comedy about how the random relations between good intentions and evil consequences. Not vintage Gray, perhaps, but an enjoyable play all the same. Its problem lay with a dangerously slow opening. Of course the ironic undertow was there, only it seemed to be flowing a mite too sluggishly to compensate for the setting, twee flummery in a Somerset village. For a while it seemed that this was merely an EC version of *Cold Comfort Farm*, with a diminutive, hot-blooded Italian virgin (Sophia Diaz) brought in as *agent provocateuse*.

Things did pick up speed once the characters developed a bit and once the cloven hoof of Vicar Ronnie became clearer, played by Simon Callow. Garage-owner Algie (James Fleet), made a splendidly evil Scots seducer who never got his girl. Without being hilarious, there was plenty to smile at. It made a nice touch to have the corpulent shopkeeper (Colin Welland) almost as enamoured of his Italian daughter-in-law's pasta, pronounced as in meat *pasty*, as her voluptuous body.

Martin Bell in Sarajevo: the parks and football pitches have been taken over as graveyards

Last week's *Essential History of Europe* (BBC 2, 9.00), will surely have left Luxembourgers feeling put out, and with good reason. The opening proposition was that "more Luxembourgers commit suicide each year than are killed on the road." Which fact is, of course, wholly meaningless unless we are also told about the country's road safety record.

Instead, we were left to deduce unfavourable conclusions about the lives of the poor rich folk of that tiny nation. Later, there was sinister mention of a bridge from which suicides throw themselves, an effective and time-honoured method of doing yourself in which is also popular in London, Bristol, and Paris. What really is the evidence that Luxemburgers are the lemmings of the EC?

As far as I know, every country in the EC has a drugs problem so it seemed gratuitous to fasten on the drugs scene in Luxemburg. Furthermore, it is plain silly to claim anything paradoxical in a country where jobs are plentiful and living-standards are notably high, having the same proportion of drug addicts as in "other major capitals".

From the stand-point of this oddly prejudiced, often self-contradictory analysis, Luxemburg was in a no-win position. The strangest things were marked to the debit side of the slate; that there is only one prison, and that one third of its inmates are there for drug-related crimes. Again, without statistics this is meaningless. Maybe there is a super-efficient gendarmerie, or maybe there are only thirty criminals in jug.

The children of the country's large influx of Portuguese workers "are becoming Luxemburgers" – the innuendo being this this is *per se* a bad thing. In the last war, the "German occupation focussed Luxemburg's frail sense of nationality". Why should it be judged frail, given that previous speakers had stressed the cohesiveness of this fortress state, its inhabitants bound by their "secret language" and their passion for clubs. It will be interesting to see what next's week's concluding film in this provocative series makes of Belgium's wartime experience.

Alastair Muir

The star of Harold Pinter's 'No Man's Land', which has moved from the Almeida in Islington to the Comedy Theatre in the West End, is not so much Pinter the writer as Pinter the actor. Pinter plays Hirst, the part originally taken by Ralph Richardson in the National Theatre production in 1975. In the second act he shows one of the most commanding stage presences I have seen, often by not speaking. Paul Eddington plays the other sexagenarian, Spooner, following John Gielgud in the original. The influence of T.S. Eliot is pervasive and presumably deliberate. This is Pinter as the author must wish it to be done. It is often vacuous, but it is sensational to watch. M.R.

Opera/**Richard Fairman**

Popular revivals in London

When money is short, it is a prudent opera company that strives to get maximum mileage out of productions which it knows work well. Two revivals of trusted stagings, one at each of the London opera-houses, returned at the weekend and it is good to report that neither gives the impression merely of a tired warhorse being trotted out for another run.

The Royal Opera's *Il barbiere di Siviglia* has arguably improved on each occasion that it has been seen and this revival brings together some of the best individual performances encountered so far: a cast confident of its star appeal, balancing brash, youthful vigour with wily experience.

The main newcomer is Thomas Hampson in the title-role. This is his debut with the Royal Opera, not before time; and an occasion which he enjoys to the full, singing out proudly with his easy, impressive, ample baritone and generally making sure that his role is the focus of attention. He bestrides the stage with an overpowering all-American confidence, which is not necessarily right for Rossini's lowly barber who lives by his wits alone, but the flair is irresistible.

Alongside him are two American colleagues happily remembered from previous revivals, Jennifer Larmore as an attractive, vocally sure Rosina and Bruce Ford, a sensitive Count Almaviva with not quite enough personality. Simone Alaimo creeps on as a spooky Don Basilio, the sepulchral presence cleverly underplayed, the voice a real Italian Rossini bass. Not to be outdone, Gabriel Bacquier's Don Bartolo proved a master at deploying the killing comic touch at the most lethal moment and is still a singer of some force, even though he will be 70 next year. Can the reference books really be right?

All were kept firmly together by Evelino Pidò, who trussed up the score rather fearsomely, allowing few musical freedoms but kept the pace bright and swift. He also encouraged his singers to bring along a selection of their own vocal ornaments, which is all to the good. No lack of sparkle there, or in any other department.

★

The conducting of Mark Elder was the feature that gave the strongest profile to English National Opera's revival of *Rigoletto* on Thursday. Even when the production was new (how long ago that seems now!) he did not bring it the urgency, the powerful feeling of the music driving the drama forwards, that made this performance so convincing.

Among the principals, the only newcomer here was Rosa Mannion, bravely singing Gilda over, and at times audibly through, a heavy cold. Even in these circumstances, however, the beauty of her singing shone forth and she made the character tellingly progress, from the lightly floating virginal purity of the early scenes to the tragic victim she becomes after the abduction. Arthur Davies remains a dashing, youthful Duke, singing with winning freedom, except when he is ambushed by vocal doubts in his Act 3 aria. Jonathan Summers is again the powerful, unsubtle Rigoletto, but one who commands the stage.

According to the advertisements in the press, this now renowned mafioso *Rigoletto*, like so many prima donnas who announce their retirement only to re-appear, is again on the point of disappearing for good. If there really is anybody who has not yet seen it, this is the last chance – and probably as good a one as any.

Il Barbiere di Siviglia at Covent Garden until 5 March (Box Office 071-240 1066). Rigoletto at the London Coliseum until 12 March sponsored by National Power (Box Office 071-836-3161)

Alastair Muir

Royal Opera debut: Thomas Hampson makes a splendid Barber

Concert/**Andrew Clements**

Solti and the Vienna Philharmonic

The Vienna Philharmonic is giving three London concerts during the current season, part of its "European series" shared with Paris and Berlin. James Levine conducted the first programme in November and Riccardo Muti will take charge of the last in May; Georg Solti appeared with the orchestra on Monday for a programme of Mendelssohn (the Fourth Symphony) and Shostakovich (the Fifth).

The combination of Solti and an orchestra still able to trade on its illustrious pedigree ensured a full, rapturous house. It was, though, an occasion to inspire only modified rapture; artists and repertory had been mismatched in a strangely perverse way. Applying Solti's angular propulsiveness to a Mendelssohn symphony is the musical equivalent of breaking a butterfly on a wheel, while the VPO's greatest admirers would not dare to claim that it plays Shostakovich with the same distinctive flair and style it brings to the Viennese classics or to Strauss.

Yet a genuinely great orchestra, which the Vienna patently still aspires to be, really should have the potential to adapt its approach rather than construe everything within its own terms of reference. It did so brilliantly at the Proms last August when playing for Boulez, but seemed to be operating strictly on autopilot for the Shostakovich here.

Solti, who appears to be working systematically through the canon, was strangely restrained in the Fifth too. One expected this conductor and these strings to make something more of the opening paragraphs and to invest the heart of the slow movement with sensuous depth, but no. Even the finale, launched at a frantic pace, ran out of steam well before the close. It was pallid, routine, uninteresting.

Only an encore of the *Fledermaus* overture, whipped and driven in the Solti way with a sort of tight-lipped humour, showed any character; by then it was too late.

At the Royal Festival Hall; final concert May 30

INTERNATIONAL

ARTS GUIDE

■ BARCELONA

Gran Teatre del Liceu Ballet de l'Opéra de Paris opens a two-week residancy on Mon with the Nureyev production of Le Bayadère, daily till Feb 20, followed by a Jerome Robbins programme Feb 23-27 (412 3532)
Mercat de les Flors Tomorrow, Fri, Sat, Sun: Andres Corchero Company in a dance programme entitled Elegia (318 8599)
Palau de la Musica Antoni Ros Marba conducts Barcelona City Orchestra in works by Ravel and Franck on Fri and Sat evening and Sun morning (268 1000)

■ BONN

Giancarlo Del Monaco opens his new administration at the reconstructed **Bonn Opera House** on Sun with Otello conducted by Dennis Russell Davies. Further performances on Feb 21, 25, March 7, 10, 13, 28 with casts including Alexei Steblianko and Julia Varady. Valery Panov's chamber ballet Impressionen can be seen daily except Sun till Feb 21. The next new production is Der Freischütz on Feb 28 (773667). Tomorrow's orchestral concert at the Beethovenhalle is conducted by Jan Kranz, with Lilya Zilberstein soloist in *Rakhmaninov's Third* Piano Concerto (773666)

■ COLOGNE

Philharmonie Tonight: American String Quartet plays works by Beethoven, Brahms and Dvorak. Sat: Gianluigi Gelmetti conducts Stuttgart Radio Symphony Orchestra in Mahler and Stravinsky. Sun afternoon: Hakan Hardenberger plays trumpet concertos. Sun evening: Joan Baez. Next Wed: Anne Sophie Mutter (2801)
Opernhaus Fri: Tanz Forum triple bill. Sat: Lohengrin with Gary Lakes, Eva Johansson, Sergei Leiferkus and Gabriela Schnaut (also Feb 17, 28). Mon: Die Fledermaus (221 8400)
Schauspielhaus Theater an der Ruhr's guest production of Shakespeare's Macbeth can be seen tomorrow and Fri. Repertory includes Heiner Müller's Shakespeare Commentary directed by Günter Krämer John Ford's 'Tis Pity She's a Whore and Wedekind's Musik (221 8400)

■ DRESDEN

Dresden this weekend marks the anniversary of the city's destruction by allied bombing in February 1945. Colin Davis conducts the Staatskapelle and State Opera Chorus in Beethoven's Missa Solemnis on Sat and Sun at the Semperoper (484 2731). Jörg-Peter Weigle conducts the Dresden Philharmonic Orchestra and Chorus in sacred works by Bach, Rentzsch and Haydn on Sat in *the Kulturpalast* (486 6306). The opera programme at the Semperoper includes La Cenerentola with Kathleen Kuhlmann tonight and Mon, Bartered Bride tomorrow and Elektra on Fri and next Wed (484 2731)

■ FRANKFURT

MUSIC
Alte Oper Tonight: Gerry Rafferty. Tomorrow and Fri: Hiroshi Wakasugi conducts Frankfurt Radio Symphony Orchestra in works by Pfitzner and Bartok. Sun morning and Mon evening: Yuri Ahronovich conducts Frankfurt Opera Orchestra in works by Dvorak and Scriabin. Sun evening: Gianluigi Gelmetti conducts Stuttgart Radio Symphony Orchestra in Rossini, Schumann and Mahler, with cello soloist Heinrich Schiff (1340 400)
Opernhaus Tonight and Sun: Jan Fabre's ballet The Sound of One Hand Clapping. Sat and next Wed: Britten's A Midsummer Night's Dream (236061)
THEATRE
Schauspielhaus Tonight: premiere of Anselm Weber's new production of Sophocles' Antigone (also Fri, Sat, Sun). Tomorrow: Schnitzler's Undiscovered Country. Sun and Mon: late evening performances of Euripides' Cyclops (2123 7444)
Jahrhunderthalle Fri and Sat: guest performances by Berlin Komödie of Neil Simon's 1963 play Barefoot in the Park (360 1240)

■ HAMBURG

Staatsoper Tonight and Sat: Turandot. Tomorrow, Sun and next Wed: Eliahu Inbal conducts John Dew's new production of Aida, with Maria Guleghina, Livia Budai, Michael Sylvester and Franz Grundheber. Fri and Tues: Ariadne auf Naxos (351721)

■ LYON

Auditorium Maurice Ravel Tonight, tomorrow, Sat, Sun: William Christie conducts Rameau's Les Indes Galantes (7828 0960). Feb 19, 20: Neeme Järvi conducts Orchestre National de Lyon (7860 3713)

■ MADRID

Teatro Lirico La Zarzuela Tomorrow and Mon (also Feb 19, 23): Jenufa, with Natalia Romanova and Leonie Rysanek (429 8225)
Auditorio Nacional de Musica Fri, Sat, Sun: Roberto Montenegro conducts Spanish National Orchestra in works by Paul Ben Heim, Cesar Cano and Scriabin (337 0100)

■ MUNICH

Gasteig Tonight: Joan Baez. Fri evening, Sun morning: Sergiu Celibidache conducts Munich Philharmonic Orchestra in Bruckner's Fifth Symphony. Mon: Budapest Symphony Orchestra (4809 8614)
Herkulessaal Christian Zacharias piano recital. Fri: Semyon Bychkov conducts Bavarian Radio Symphony Orchestra in Mahler's Ninth Symphony. Mon: Melos Quartet (299901)
Cuvilliés-Theater Sat: Così fan tutte with Amanda Roocroft and Manfred Hemm. Feb 17, 19, 21: Le nozze di Figaro with Margaret Marshall and Wolfgang Brendel (221318)
Theater im Marstall Tomorrow: first night of Bavarian State Opera production of five short operas of the 1920s, including Milhaud's L'enlèvement d'Europe and Hindemith's Hin und Zurück Repeated Feb 13, 14, 16, 18, 20, 23 (221316)

■ NEW YORK

THEATRE
● Oleanna: David Mamet's powerful drama about a university professor and a young female student (Orpheum Theatre, 126 Second Ave between Seventh and Eighth Streets, 307 4100)
● The Sisters Rosensweig: Wendy Wasserstein's new play, a comedy with serious undertones, about the reunion in London of three American Jewish sisters (Mitzi E Newhouse, Lincoln Center, 239 6200)
● Anna Christie: Natasha Richardson and Liam Neeson in Eugene O'Neill's drama of the high seas (Criterion Center, Broadway at 45th St, 869 8400)
● Forbidden Broadway 1993: new edition of Gerard Alessandrini's parody of Broadway shows (Theatre East, 211 East 60th St, 838 9090)
JAZZ/CABARET
Algonquin Hotel David Staller in the Oak Room has an early show based on Rodgers and Hart, and Noel and Cole (59 West 44th St, 840 6800)
Ballroom Brazilian-born sambá singer Beth Carvalho is in residence in this green music hall which features a steady stream of pop and cabaret stars (253 West 28th St, 244 3005)
Blue Note This week's music is provided by an acoustic trio featuring Stanley Clarke (131 West 3rd St, near Sixth Ave, 475 8592)
Carlyle Hotel Eartha Kitt is here till March (Madison Ave at 76th St, 744 1600)

■ ROME

Teatro Olimpico Tomorrow: Anatol Ugorski piano recital (323 4890). Next Wed at Auditorium: Claudio Abbado conducts Berlin Philharmonic Orchestra in works by Strauss and Brahms (686 4759)
Teatro dell'Opera Sat: Michel Plasson conducts Bizet's Pearl Fishers, with Giuseppe Sabbatini and Alessandra Ruffini (also Feb 16, 19, 21, 26). Sun and Mon: Vladimir Fedosseyev conducts Moscow Radio Symphony Orchestra in Tchaikovsky's First Piano Concerto (Sergey Erokin) and Fifth Symphony. Feb 20, 24, 26: Lucia di Lammermoor with Alfredo Kraus (481 7003)

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Sky News: West of Moscow 1130; 2230

SUNDAY
Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Edward Mortimer

Ready, willing but still unable

A proposal to give Germany a role as peacekeeper

There should be German troops in Northern Ireland. It might not solve the Northern Irish problem, but it could well be the solution to the German problem.

Some readers may be surprised to hear that there is still a German problem. Others may suppose that today's German problem is an economic one. But if you had been at the annual Munich Conference on Security Policy last weekend, you would know that the new German question is about German troops serving outside the Nato area. It falls into several parts:

- Where can the troops go?
- What can they do when they get there?
- What colour helmets should they wear?
- Is a constitutional amendment required?

Chancellor Helmut Kohl wants to be free to send German troops anywhere, and for any purpose – "peacekeeping, peacemaking and peace-enforcing" – required by the United Nations. He does not think an amendment is needed, but has agreed to seek one, in deference to his Free Democratic party coalition partners.

The trouble is, he cannot muster the requisite majority without the support of the Social Democratic (SPD) opposition. The SPD, for its part, thinks the Bundeswehr should be available to the UN only for "blue helmet missions" – a phrase generally understood in Germany to refer to traditional UN peacekeepers, who can use force only in their own defence. The SPD parliamentary leader, Mr Hans-Ulrich Klose, said his party had accepted "the now very much wider spectrum of such operations ... including the monitoring of embargoes, underpinning humanitarian operations, setting up protective zones and the preventive stationing of blue helmets, that is, approximately 90 per cent of all the missions that have occurred so far".

Mr Klose added that he himself "would be in favour of having the Bundeswehr participate in all such missions of the UN or regional organisations under its mandate, even where – to accomplish the set goal – force had to be used as well".

He would take exception only to missions "whose goal is the use of force".

Since it is hard to imagine the goal of any mission being defined as the use of force for the heck of it, this formulation took Mr Klose within spitting distance of the chancellor's position.

It caused a ripple of excitement, but only a ripple, since it appears Mr Klose has no chance of carrying his party with him; and even he said he would be stricter than the government in insisting on a "definite link with a specific and lasting UN mandate".

Europeans seem to agree that German troops cannot be used in the former Yugoslavia

Everyone in Germany seems to agree that the use of force, other than in direct defence of yourself or your allies, has to be somehow legitimised by the UN. Only non-official English-speaking visitors at the conference were so ungracious as to point out that this means making any military action by western countries, whether to rescue people from genocide or to prevent a local war from spreading, dependent on the whim of the Chinese and Russian governments.

Not only Germans but Europeans in general seem to agree that German troops cannot be used at present in the former Yugoslavia. It was therefore discouraging, for those who see American troops as an essential ingredient of any serious effort to end the war in Bosnia, to hear a prominent Republican senator, Mr William Cohen, say that Congress was unlikely to sanction direct US military involvement unless there was German participation "not just in Awacs [surveillance aircraft] but behind artillery pieces and perhaps in tanks".

As things stand, even the German crew members on the Nato Awacs aircraft now monitoring the no-fly zone in Bosnia will have to be withdrawn if and when the Security Council authorises military action to enforce it.

Europeans have come to accept Germany's inability to join any military action in the former Yugoslavia as a fact of life, not least because they know the arrival of German troops would be exploited in Serbian official propaganda. But many speakers did question Mr Kohl's rationale for not joining when he said "there are places in Europe where it is out of the question for German divisions to be seen, because there are people still alive who have a very concrete experience" of the second world war "and all the horrors connected with it".

Americans especially, but some Germans too, said it was quite wrong to equate today's democratic Germany with yesterday's Nazi Germany, or the Bundeswehr with the Wehrmacht. On the contrary, Germany's past war crimes gave it all the greater obligation to involve itself in efforts, including military efforts, to preserve the peace in Europe now.

If the chancellor's argument were to be accepted, said Mr Josef Joffe, foreign editor of the Süddeutsche Zeitung, the German newspaper, then the only place in Europe where German troops could be deployed would be Sweden.

Perhaps he is right, but I think Northern Ireland might be prepared to put up with them, in spite of its memories of German bombing. It is clearly inside the Nato area, and with a bit of effort Germany could field units comprising equal numbers of Catholics and Protestants.

And then 12 British battalions based in Northern Ireland, with plenty of "peacekeeping" experience and no constitutional inhibitions about serving anywhere, would be free to do their bit for the new world order.

Most UK bank customers may soon have to pay fees on their personal accounts, says **John Gapper**

A charge that's set to shock

Ma Theresa Bergne went into her bank last week to express her annoyance at the charges it makes if she goes into overdraft. The prospect of being charged even if she stays in credit is worse. "I would be absolutely furious. They have my money, and they earn interest on it. I shouldn't have to pay for every little piece of administration," she says.

The high street banks are hardly popular at the moment, partly because of criticism of lending policies to small business. But an end to "free" banking for personal customers threatens a nadir in their reputation. "I think they are going to be in the firing line," says Mr Alistair Darling, the Labour party's City of London spokesman. "They will expose themselves to the accusation of extracting money to pay for their past mistakes."

Fears of criticism have delayed charges. But they may not be far off. The first move was made last week by Save & Prosper, the small bank owed by Robert Fleming. It said that from April it would charge 15,000 holders of its Classic current account if their balance falls below £1,000.

It now appears only a matter of time before big banks start imposing charges on a large proportion of their 49m personal accounts. The banks all publicly insist that they have no plans to start charging. But privately, several fear a rival might break ranks during the season of full-year results announcements, which starts on Friday with Lloyds.

Pressure has been raised by the fall in base rates to 6 per cent. This has undermined the shaky economics of free banking by cutting the amount that banks earn from balances in current accounts. The returns on both money market and corporate lending have fallen along with base rates. One bank estimates that it now loses money on 80 per cent of its current accounts.

The same bank argues that it would be impossible to hold back on charging if base rates fall much further. Banks now estimate that they need an average balance of between £1,000 and £1,500 in each account to generate enough interest income to pay for the annual cost of £60 to £90 of running each account.

The timing of a move to impose charges is a delicate calculation. If one bank acted, the others would be likely to follow. This is because the first might otherwise shift its least profitable customers to the others. One banker estimates that there are 1m customers whose business no bank really wants without charges because their balances are too low.

Yet while they would probably follow a leader, most banks are relnctant to lead themselves. This is partly because of fear of public criticism. But it is also because each bank says it needs time to calculate a pricing strategy. By jnst introducing a blanket charge, the first bank to charge risks repelling its good customers along with its bad ones.

While they ponder this problem, banks have raised charges for personal customers who slip into overdraft. In effect, they are now overcbarging them to pay for unprofitable accounts kept in small surplus. "There is a strong argument that those who borrow money are now subsidising those who play carefully by the rules," says one bank chief executive.

Free banking for customers in credit among the big banks was started by Midland in 1984 in response to the challenge from building societies which started to offer cheque-clearing accounts. The other high street banks followed in 1985. The cost of offering customers clearing services free was not such a strain because base rates were around 13 per cent.

But the innovation had two damaging effects for banka. The first was thet the banks encouraged the public perception that they did not provide a worthwhile service. "We have given banking away free, so people have not regarded it as a commodity," saya a bank chief exectitive. "We have made ourselves the only developed nation in the world which does not require payment for core banking."

The timing is delicate. If one bank introduces charges, the others are likely to follow

The second damaging effect of free banking was that it raised the costs of administering accounts by fragmenting the customer base. Because accounts were free, more people opened two. The number of personal accounts at banks, which rose only slightly from 24.5m to 26m between 1981 and 1984, started growing rapidly to today's 49m.

Not only did fewer accounts become profitable as average balances fell, but the costs of processing cheques and card transactions rose. The banks' Association for Payment and Clearing Services has just estimated that it now costs the banks a total of £4.5bn a year to run the clearing system, about half of which is the cost of distributing cash.

Mr Ian Lindsey, banking director of Save & Prosper, admits that it started charging partly because it feared the average balance in its Classic account would be cut from the current £5,000. "We were already getting accounts that we did not want under the old tariff, and we feared the trickle would become a flood if aootber bank started charging," he says.

Banks are considering four main strategies which could stop their most profitable personal customers leaving if charges are reintroduced:

- Not charging cuatomers who retain high balances: this is likely for customers with balances above £1,500 because the interest earned on their balances is greater than the cost of operatiog their accounts. The fine calculation is in deciding which other customers should get free services. Mr Lindsey believes the high street banks may set the limit as low as £500 in order to keep customers whose overall business is valuable.
- Offering different amounts of service for different levels of fee: an obvious example would be to offer 24-hour telephone banking only to those who pay extra. But it is hard to segment existing services because they are offered through branches which are open to all customers. Giving new forms of service in return for fees will only add to overall costs.
- Linking "free" banking to the total value of a customers' business with the bank: this would be a logical strategy to encourage sales of products such as mortgages, loans and insurance. The question is whether banks will be able to preserve their claim to offer indepeudent advice if such incentives are introduced.
- Maintaining "free" banking for young customers. Youth accounts lose money because they usually have low balances. But the loss is worth incurring if it establishes loyalty from a customer who becomes more profitable with age. Young people with earnings potential such as students may continue not to be charged, or may be charged less.

Because banks are likely to choose different combinations of these strategies, the effect on the industry is uncertain. Banks might persuade customers to close second accounts to maiotain higher balances in their primary one. But they will be vulnerable to lower-cost competitors such as building societies or telephone banks which can retain "free" banking longer.

Banks look hopefully at the experience of the Barclaycard credit card subsidiary of Barclays when it introduced an annual fee in 1990. It lost 485,000 active accounts and a further 1m dormant ones from a total of 10m within a year. But the number of transactions remained virtually the same, as the same business was conducted on fewer cards.

Mr Richard Reay-Smith, chief executive of Barclaycard, says the introduction of charges was not too damaging because it was carefully planned. By offering new services at the same time as it introduced a fee, Barclaycard created a sense that it was worth paying for.

That is the best the banks can expect. The worst is that there will be a flight of the customers to whom they were hoping to sell more products. When the move finally comes, a lot will turn on the reaction of Ms Bergne and the rest of the growing band of dissatisfied bank customers.

LETTERS TO THE EDITOR

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Hoover relocation as part of larger trend

From Messrs Sean Shepley and Jonathan Wilmot.

Sir, Are Europe's politicians ready for the single market? Perhaps not if the reaction to the announcement of Hoover's plans to shift production of vacuum cleaners from Dijoo to Glasgow is anything to go by. This case has nothing to do with social dumping and everything to do with the single market's baaic goal – increased productivity and higher living standards for workers.

A particular result of the single market is that production becomes more concentrated and much more specialised by region. Tbat Hoover's announcement came just days before Nestlé's decision to move from Glasgow to Newcastle and Dijon was a neat example of the way in which different industries are attracted to different regions. In the US, this process of regional specialisation is far more advanced, suggesting Europe still haa along way to go.

Indeed, the Hoover and Nestlé examples are part of a tidal wave of relocation sweeping across Europe. Many more plants will have to close and possibly even whole industries may have to relocate before we see the most efficient production structure in Europe. In this restructuring process, those regions with best access to Europe'a core markets will find it easier to attract production and jobs. Paripheral regions will bave to work harder to create an attractive regional base for inward investment.

One point is clear: by harmonising social conditions, the location advantage of the core regions would be boosted enormously. Although flexibility in labour and product markets is important for all regions, it is absolutely essential for the lagging regiona on Europe's periphery. Anything else will be a recipe for mass unemployment, followed by migration to the prosperous core. For us, this is the real "social dumping" that the Community should be worried about.

We go into these issues in greater deal in our recent paper, *Europe: Core us Periphery*. The response we received from the Dutch authorities appears to us to be far preferable to that seen so far io France.

"The development towards increasing specialisation per region and the substantial importance of clusters of companies therein, already plays an important role in Dutch policy. The policy of [the Ministry of] Economic Affairs constantly stresses the importance of technology, infrastructure and a well-educated workforce to attract clusters of companies."

Sean Shepley,
Jonathan Wilmot,
Credit Suisse First Boston,
2a Great Titchfield Street,
London W1P 7AA

VAT plan would hit food industry and the poorest

From Mr Michael Mackenzie.

Sir, So Lex (February 3) believes that imposing standard-rate VAT on all food will have little consequeoce for consumers, employment or the food industry! This conclusion verges on the glib, in assuming that the British economy and the food industry have infinite capacity to absorb inflationary pressures.

During a period of recession the UK food industry could not confront sucb an economic sbock with equanimity. To absorb price increases it would have to cut back further on investment and pare overheads and operating costs even closer to the bone. Lex bas also ignored the 18 par cent increase in key raw material prices imposed oo food and drink processors by the devaluation of the green pound since last September. This compounds the problem of remaining competitive with overseas auppliers and any additional price pressures could well sell UK jobs abroad.

Imposing standard-rste VAT on food will hit the poorest sections of society hardest. How can those who already buy the lowest-priced food trade down even further, as Lex suggests? The articla recognises the "knock-on" effects of reduced consumer expenditure in other sectors but fails to specify that this means deeper recesslon still and yet more unemployment. Tbese consequences have to be confronted squarely.

Food is essential to life and no food should be taxed, on principle.

Michael Mackenzie,
director-general,
Food and Drink Federation,
6 Catherine Street,
London WC2B 5JJ

Credit not where credit's due

From Mr Stuart Constable.

Sir, Sir Teddy Taylor, in quoting that "strange singer" Bob Marley at the Young Conservatives conference, was in fact misplacing the credit for the line he chose ("'Yobs' blow loud Euro-raspberry at Major", February 8).

"Stand up for your rights" in this context comes from the song "Get Up, Stand Up", written by Marley's friend Peter Tosb who was murdered in Jamaica in 1987.

I would draw Sir Teddy's attention to the very fine solo works of Mr Tosh, which for many articulated the messages of Rastafarianism and anti-racism mora potently and coherently even than Marley himself.

Stuart Constable,
78 Deangarden Rise,
High Wycombe, Bucks

Heseltine: an accountant bites back, and foul called

From Ms Christine A Caton.

Sir, Mr Heseltine was reported as saying that the UK has got the balance wrong in the creation of waalth ("Heseltine laments oversupply of accountants", February 6). He inferred tbat accountants and lawyers are too many in number and not crncial in financial strategy. In response to Heseltine (part qualified) a representative from the Institute of Chartered Accountants apparently spoke wearily and guardedly and tha FT remarked in passing that the institute reports to the DTI on regulatory matters!

As a chartered accountant in practice, weary and worn with regulation and compliance, sick of the recession, the grumbling and the resistance of clients to professional fees, I am not surprised tbat the standing of a chartered accountant has become denigrated. May I suggest some reasons for thia unpalatable situation.

(a) Some 30-40 per cent of my practice time is spent on compliance, regulation and form filling exercises for the government. I canoot tberefore develop my expertise to the full or maximise my contribution and experience to the businesses of my clients.

(b) I cannot offar a full and embrscing professional service to client companies because I have to demonstrate to tbe Joint Monitoring Unit that as audit compliance partner I have carried out an audit, as wide in scope for a large public company, for small proprietorial companies. The scope of the work has become greater with additional man hours.

(c) I can only employ the levels and calibre of staff, as dictated by my professional body, and the costs of practice administration and training have increased significantly.

I have two sons aged 17 and 21 and I am thinking very seriously as to whether their futures would be better without professional qualification. Mr Heseltine's comments and tbe rather spineless reaction from the Institute of Chartered Accountants certainly add substance to this view.

Christine A Caton,
director,
Caton & Partners,
Essex House,
George Lane,
South Woodford, London E18

From Mr Richard Beville.

Sir, I note that Mr Heseltioe's criticisms of accouotants hava been met with personal comments about his examination record. Is it any wooder, then, that the act of deliberately playing the man, instead of the ball, is termed a "professional foul"?

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FINANCIAL TIMES

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Trade on a cliff edge

RARELY, if ever, can the principal trade negotiator of the European Community have visited Washington at a more delicate time. For where the Bush administration was at least shame-faced about its unilateralism in trade policy, the Clinton administration appears bare-faced. Sir Leon Brittan – like Mr Michio Watanabe, the Japanese foreign minister, who will be in Washington at the same time – needs to remind the US administration of the serious risks it runs.

Mr Mickey Kantor, the new US trade representative, has said that "the days when we could afford to subordinate our economic interests to foreign policy or defence concerns are long past". This credo is not even controversial in US policy-making circles any more. It is nonsense, all the same.

The trading policies pursued by the US in the postwar era did not subordinate US economic interests to those other objectives. On the contrary, the postwar economic recovery of Europe and Japan greatly expanded the opportunities facing US producers, just as it did the opportunities enjoyed by US consumers. This Mr Kantor seems to ignore. What he seems to mean by "our economic interests" are the interests of particular US industries. The cue has already been followed by the automobile industry, with a long list of others right behind it.

What is needed, they all argue, is a "level playing field". Moreover, the US has, they also assume, the right both to survey and then bulldoze its partners' terrain. The possibility that the US playing field might not be level either seems not to occur. Yet US anti-dumping policy, US tariff peaks and US-imposed voluntary export restraints are just a few of the ways that it too distorts trade.

Export volumes

The administration should consider a few facts. Despite obstacles abroad, the volume of US exports expanded by 74 per cent between 1985 and the first quarter of 1992, while German exports rose by 26 per cent and those of Japan by less than 20 per cent.

Moreover, trade policy has been liberalising worldwide. The trade policies of the EC, for example, are highly imperfect. Yet the net effect of the single market programme – not least in the contested area of public procurement – has been to increase opportunities for foreign companies, for US ones not least. The EC has not been alone. Japan's trade policies have moved steadily in a liberalising direction, while 63 countries have notified the Gatt of unilateral trade liberalisation since the start of the Uruguay Round.

Not since the early years of this century can US producers have faced a more open world market. Nor can there ever have been such worldwide acceptance of what US policy-makers have been arguing for so many decades. Yet the US seems no longer to be particularly interested. On the fundamental question of whether and how to complete the Uruguay Round – hardly an unexpected one, after all – it vouchsafes no clear answer.

Dangers of conflict

The administration may believe that no great harm need be done by the worsening of trade relations. If so, it is likely to be proved wrong. One of the main reasons that the EC felt obliged to settle the oilseeds dispute, despite French resistance, was the fact that it had been taken to the Gatt twice, and lost. More broadly, trade conflict is bound to make global economic co-operation more difficult, while failure to complete the Uruguay round would impair fragile global confidence and worsen already weakening US export prospects. Moreover, the administration should not assume there will be no retaliation. President Mitterrand has already said that the EC must respond to protectionist measures with "protectionism and a half".

Sir Leon must try to lift the discussion above the particular disputes between the US and EC, even above the immediate fate of the Uruguay Round. He needs to remind Mr Kantor what is at stake. He should show him how accommodating where the US has a case, but firm where it does not. Above all, he should stress that unilateralism will not remain the prerogative of the US alone.

Ultimately, Sir Leon's interlocutor is Mr Clinton. The president needs to be asked how far he is prepared to risk what his predecessors achieved over half a century. The world waits for his answer.

Rethinking British defence

MR MALCOLM Rifkind, the British defence secretary, sought to pre-empt yesterday's report from the House of Commons select committee by rescinding some planned cuts in the country's armed forces – at a cost of "only" £80m or one-third of 1 per cent of the defence budget. On Monday Mr Michael Portillo, the chief secretary to the Treasury, announced a sweeping review of public expenditure in general, but appeared to exempt defence as a principal target. Yesterday the select committee duly reported, seeking even more concessions than Mr Rifkind had already offered.

It may be concluded from these events that Britain is still far from a political consensus about the scale of its defence spending in a post-imperial world. The question that has haunted the debate for decades continues to hover. Is there a case for economically battered Britain to outspend its richer European neighbours, devoting 4 per cent of its economic output to defence, compared with 3.4 per cent for France and only 2.2 per cent for Germany?

There are many signs that old lessons have not been learnt. In 1990 the statement Options for Change by the then defence secretary, Mr Tom King, suggested substantial reductions in force levels as a result of the end of the cold war, though even then the cuts in costs did not match the proposed cuts in manpower. With these cuts still not fully implemented, there is already talk of overstretch, which is merely the current term for describing the old problem of too few resources to match too many commitments. The select committee calls the overstretch "chronic" and wants all planned cuts in ground forces to be stopped.

Top tables

The motives behind such thinking too often stem from a nostalgia for a country that was more powerful and relatively richer than it is today. More insidiously, attempts to keep up with defence spending spring from a desire to impress the Americans and to maintain a place at top tables. Almost invariably, however, the dilemma returns: Britain tries to do too much and, in the context of the latest public spending crisis, has to cut back.

Mr Douglas Hurd, the foreign secretary, has done something to develop the context for an alternative view. In a recent speech at Chatham House, he noted the trend towards international military intervention, whether of the peacekeeping or peacemaking variety, and envisaged for Britain a worthy rather than a leading role. His theme was that Britain cannot do everything towards which it feels morally or politically impelled.

Burden-sharing

Mr Hurd's analysis, however, stopped short of suggesting solutions. If Britain is to do less, who is to do more? In Europe, Germany? In Asia, Japan? If there is to be more burden-sharing, by what process is that burden to be shared: by *ad hoc* contributions of the kind which financed the war against Saddam Hussein, or via the United Nations, which is already bedevilled by the failures of some members to pay their dues?

Nor is this a complete list of the awkward questions which lie ahead. If Britain is to cede more international defence activity to others, how long can it maintain its position as a permanent member of the UN Security Council? If it is seriously to consider relinquishing that seat, what price could it or should it seek in return? And within the European Community, how can a potential British desire for more burden-sharing be made to fit with its anxiety about more integrated EC defence structures?

As the world seeks answers to these complex questions, Britain has much to offer. Its armed forces have a deserved reputation for professionalism. Its relationship with the sole superpower, the US, is special. Britain can do much to help modernise Nato, develop the Western European Union and cement bilateral links with France. It can also play a worthy part in international peacekeeping.

But it cannot evade larger questions about the resources of its own economy or shifts in relative global economic and political standing. Mr Rifkind's concessions will comfort those who prefer old glories to harsher truths.

The dire state of the UK's public finances is forcing the government to consider radical remedies, writes **Peter Norman**

Descent from riches to rags

The figures are daunting. In the coming financial year, the British government will have to borrow about £1,000 for every man, woman and child in the country, tapping financial markets for funds at a rate of £1bn a week.

The outlook, if the City of London is to be believed, is even more alarming. In five years, the pessimists say, the government could be borrowing more than 10 per cent of UK gross domestic product a year to plug holes in the public accounts, while the nation's debt to GDP ratio could be 70 per cent and rising.

The dire state of Britain's public finances is all the more apparent when measured against the recent past. Three years ago, the public sector ran a large surplus, enabling the government to reduce the national debt. Today, the talk is of cruel choices between tax increases or welfare cuts and of a fiscal rake's progress into a structural budget crisis of Italian proportions.

Although prospects for recovery are likely to be uppermost in Mr Norman Lamont's mind as the chancellor prepares his March 16 Budget, the government's announcement this week of an exhaustive review of public spending priorities over the rest of this decade is symptomatic of deep concern about the nation's finances.

The official line is that the present problem is cyclical, reflecting the fall in tax revenues arising from the recession and rising costs, such as unemployment pay and other social security outlays such as income support. But serious commentators such as the Organisation for Economic Co-operation and Development in Paris and the Institute for Fiscal Studies, as well as City securities houses, including Goldman Sachs and UBS Phillips & Drew, argue that part of the deficit is now structural. It will not be self-correcting if and when the economy returns to normal growth.

Whatever the diagnosis, the chancellor cannot ignore the sudden shift from a £14.7bn public sector surplus in 1988-89 to a deficit of £25.7bn in the first nine months of the present financial year alone. The shortfalls in prospect threaten to make a mockery of the government's election manifesto promises such as making further cuts in personal tax rates. Financing the deficits could put a question mark over recovery from recession.

But how has Britain got into this mess – if indeed it is a mess? And what does the decline into deficit of the past five years tell us about the outlook for public spending, taxation and correcting the deficit?

There would be no deficit problem without the recession. But the recession cannot fully explain the deterioration. Social change, tax reform, political mistakes and electoral politics over the past 14 years have left their mark on tax revenues and public spending, and helped create Britain's deficits.

Last November's Autumn Statement gave an important clue as to how the recession affects government finances. It revised upwards the public sector borrowing requirement forecast for the 1992-93 financial year to £37bn from the £28bn predicted at the time of the 1992 Budget. The £9bn worsening in the deficit was primarily due to a £6.7bn drop in anticipated tax receipts while spending this year was estimated to be £2.3bn higher than previously forecast.

The sensitivity of tax revenues to economic slowdown is not a new phenomenon. Indeed, a drop in the tax burden in recession is an important aspect of the "automatic stabiliser" mechanism in a modern mixed economy, which helps smooth the business cycle and revive growth.

But the tax reforms of the 1980s – and in particular the corporation tax changes initiated in the then Mr Nigel Lawson's Budget of 1984 – appear to have increased the responsiveness of revenues to changes in the cycle.

The government benefited from this in the period of strong growth in the 1980s, when the increase in corporation tax receipts contributed about one-third to the swing in public finances from deficit to surplus between 1984-85 and 1988-89. Revenues from corporation tax receipts grew at an average rate of 25 per cent a year in the five years after 1984-85 and were worth more than 4 per cent of GDP, or £21.5bn, at their peak in 1989-90.

But the recession has produced an equally sharp contraction in corporation tax revenues. They fell to £18.26bn in 1991-92 and so far in this financial year have declined by 18.3 per cent to £9.97bn from £12.2bn in the same 1991-92 period.

The worry for the future is that corporation tax revenues may not rebound once the recession is over. Their buoyancy in the 1980s partly reflected special circumstances, not least the unusual length of the upswing. Mr Lamont has since cut corporation tax rates below the levels bequeathed by Mr Lawson while companies have a large recession-generated overhang of losses to set against tax.

The government's in-depth probe of the annual £260bn of public spending is a clear admission that something has gone badly wrong on that side of the budget. The departments selected by Mr Michael Portillo, the chief secretary to the Treasury, for initial scrutiny – social security, health, education and the Home Office – show where the government suspects structural problems are rife.

When Mrs Margaret Thatcher took office in 1979, she was determined to reduce the role of the state in society and cut public spending. In the mid-1980s, the government's public spending objective was modified to "take a declining share of the national income over time while value for money is constantly improved".

Yet Treasury estimates suggest that general government expenditure (that is, spending by central government and local authorities) less privatisation proceeds in the current financial year ending on March 31 will amount to 44.75 per cent of GDP – more than the 44 per cent share of 1979-80.

The recession and the rise in unemployment to nearly 3m from 1.6m in April 1990 partly explain this disappointing trend. According to the latest estimates, each 100,000 rise in unemployment adds about £345m to the annual social security budget, with £45m going on unemployment benefit and £300m on income support, housing benefit and community charge benefit. The fact that this recession has hit the middle classes in the formerly affluent areas of the south-east has added to the government's costs. At the last count, some 411,000 income support recipients were receiving help with mortgage interest payments at an annual cost of £949m.

But spending on social security will be 65 per cent more in real terms in 1992-93 than in 1978-79 and only 25 percentage points of this increase can be explained by the current recession.

Between 1978-79 and the current financial year, social security payments have increased as a share of GDP to 13.2 per cent from 10 per cent. Social security expenditure has nearly doubled in nominal terms since 1984-85, when it was £40bn, to an estimated £79.2bn in the current financial year.

Government figures show that, in real terms, the level of social security spending was higher at the end of the 1980s than after the 1979-81 recession in spite of nine years of growth. The increase in outlays in the current recession has been far sharper than in previous one.

These trends reflect changes in society as well as rising unemployment. The number of people over the age of 75 has risen by 22 per cent since 1981; there are more single parents; more of the social security budget has to be spent on the long-term sick and disabled. There is no quick fix to resolving cost increases of this sort.

Other changes in public spending have reflected deliberate political choices in response to the perceived needs of society or the wishes of the electorate. Annual spending on housing fell in real terms by 52.4 per cent between 1978-79 and 1992-93. In the same period, the public sector's annual expenditure on trade, industry and energy fell e real 37.5 per cent as a result of privatisation and the elimination of subsidies for ailing industries.

On the other hand, the government's annual National Health Service budget has risen by 56 per cent in real terms since 1978-79 and is expected to account for 5.8 per cent of GDP in 1992-93, against 4.6 per cent 14 years ago. Law and order, transport and education have all required more funding, with annual outlays rising in real terms by 96 per cent, 28 per cent and 26 per cent compared with 1978-79.

But the UK would be better able to afford such burdens if the past 10 years had not been punctuated by expensive political banana-skins and the prime minister and Mr Lamont had not greatly relaxed their grip over expenditure and taxation ahead of the 1992 general election.

Of the political mishaps, the poll tax debacle was the most damaging and costly. The scale of the damage is clear in government figures for the "new control total", a new spending measure introduced last summer that eliminates most cyclical spending. This jumped in real terms by 5.3 per cent in 1989-90. More than half of this increase (2.45 per cent) reflected a sharp jump in local authority self-financed expenditure as councils rushed to push up spending by a real 35.4 per cent to £15.6bn ahead of the introduction of the new tax. They acted in the knowledge that they could blame any consequences for taxation on central government: a gamble that paid off in 1991, when Mr Lamont increased value added tax to 17.5 per cent from 15 per cent to pay for a reduction in individual poll tax payments.

Government spending on services such as health, education and the police has also risen substantially in response to changed priorities since Mr John Major became prime minister in November 1990.

Overall spending on services grew in real terms by 4.16 per cent between 1990-91 and 1991-92, while growth between 1991-92 and 1992-93 has been budgeted at a real 5.97 per cent. Sharp increases in the control total have been budgeted for the current financial year, reflecting the increased spending on services announced before the election.

The OECD, in its latest survey of the UK economy, estimates that roughly 30 per cent of the deterioration in the budget balance since 1990 has been due to structural rather than cyclical factors. It calculates that the cyclically adjusted budget deficit increased by about 1.5 per cent of GDP between 1990 and 1992, because of higher spending and reduced revenues. Much of this addition to the structural budget deficit reflected changes announced in the pre-election Autumn Statement of 1991 and Budgets of 1991 and March last year.

But what of the future? Here the pundits differ. The OECD thinks the government should increase tax revenues by up to £10bn to steady the deficit. Goldman Sachs and the IFS see a need to close the annual gap between revenue and expenditure over the medium term by about £20bn.

Looking ahead, Mr Gavyn Davies, chief UK economist at Goldman Sachs and one of the seven-man panel of forecasters appointed to advise Mr Lamont, says that the public sector borrowing requirement in 1993-94 is likely to be about £54bn or 8.75 per cent of GDP. On a central, and possibly optimistic, assumption of 3 per cent growth from 1993-94 onwards, he says that the deficit is likely to stay at more than £50bn a year until 1997-98.

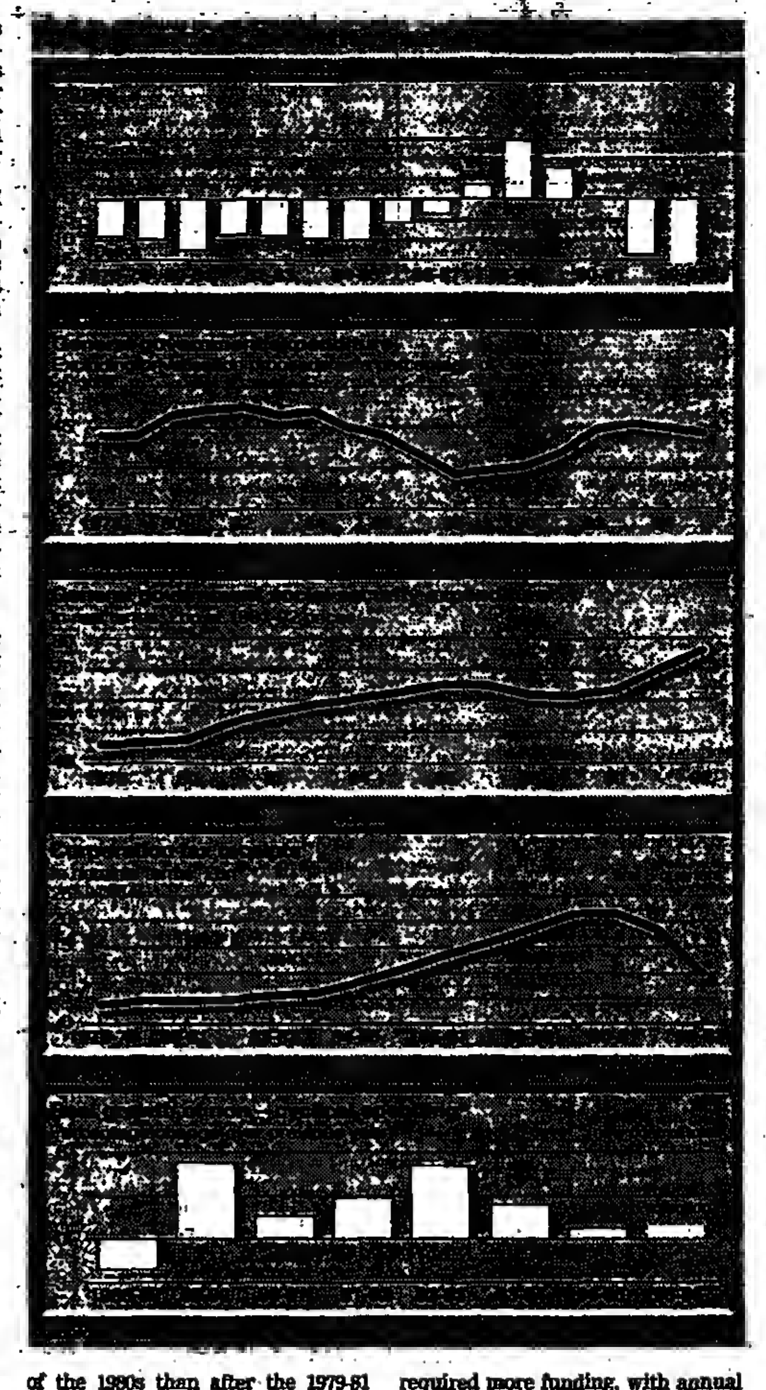
Mr Bill Martin, chief economist of UBS Phillips & Drew, has simulated Treasury growth, expenditure and revenue projections to concluda that the PSBR could still be 2.75 per cent of GDP in the 1997-98 financial year, lifting Britain's stock of debt to some 50 per cent of annual national output compared with about a third at present.

He warns that a more pessimistic scenario, which assumas lower growth and rising public spending in line with electoral demands, would produce a deficit of about £80bn in 1997-98. This would be equivalent to 10.25 per cent of GDP and result in a public debt to GDP ratio of 70 per cent that would still be rising at that stage.

However, some experts, such as Mr Chris Trinder, research director of the Public Finance Foundation in London, warn against panic reactions to such deficit forecasts. The PSBR is the difference between two big numbers, and forecasts have been notoriously wrong in the past, Mr Trinder points out. Mr Andrew Britton, director of the National Institute of Economic and Social Research and another of Mr Lamont's seven advisers, is also fairly sanguine. He says that some of the discretionary loosening of policy in recent years has been good for the economy, while the Maastricht treaty provides for deficits of up to 3 per cent of GDP.

Until recently it seemed that the Treasury might be coming to terms with the deficits. In evidence to the House of Commons Treasury and Civil Service Committee last autumn, Mr Lamont cast some doubt on the Treasury's stated goal of balancing the budget over the economic cycle. While asserting that this was still the government's objective, he added: "That has never ever meant taking the sum of the borrowing over the years and saying that it should sum to zero."

However, Mr Portillo's investigation of public expenditure points the other way. It is a reaffirmation of the government's determination to reduce public spending as a share of national income and leave wealth creation to the private sector.



OBSERVER

Anticipating marriage

■ The honeymoon threatens to be over before the wedding for London's young Securities Institute and the Institute of Investment Management and Research which, in essence, is 36 years older.

Merger talks are due to culminate this month in plans by a joint working party. But there were reputedly ructions at IIMR's council meeting this week because members were "hopping mad" over the year-old SI's campaign to recruit members.

Seeking to add 500 to its present 5,000, who are mainly former Stock Exchange members, the Securities Institute has been beating the drum about a "window of opportunity" because, until March 31, experienced securities industry practitioners can become members without passing exams.

That is seen as akin to pre-marital infidelity by some at the more elitist IIMR, which, with 3,000 members, has itself been exam-entry since 1979. "They're promoting the merger as a saleable event before it has been agreed," says one. "It's a bit naughty."

Corrective

■ Plans to privatise some of Britain's best-known prisons have led to all sorts of strange names coming out of the woodwork. Take UK Detention Services – a joint venture between John Mowlem, Sir Robert McAlpine and the sinisterly named Corrections Corporation of America.

Surely they could have followed the pattern established by other privatisations such as British Airways, Gas, Telecom, and Aerospace, and called the company British Porridge plc.

Party time

■ Monday's Conservative Winter Ball at the Grosvenor House, the party's main fund-raising event of the year, left several well-known politicians looking rather the worse for wear. But given that the party is in hock to the tune of £19m, it was a case of all hands on deck to rouse the party faithful.

Hence, it was rather surprising to learn that Lord Archer was no longer doing the raffle. His role as court jester has been taken by Gyles Brandreth, former game show host and Tory MP for Chester.

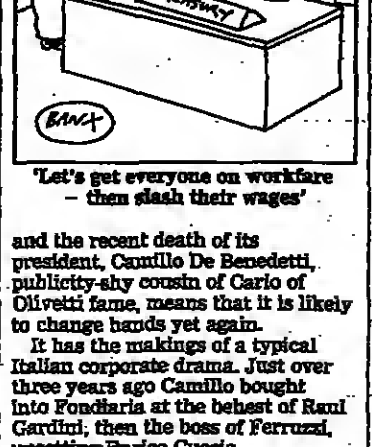
Cuccia's revenge?

■ Perhaps today's board meeting of La Fondiaria, Italy's second biggest insurer, will give a clue as to how one of the country's more complex financial puzzles is to be solved.

La Fondiaria has changed owners four times over the past decade and the recent death of its president, Camillo De Benedetti, publicity-shy cousin of Carlo of Olivetti fame, means that it is likely to change hands yet again.

It has the makings of a typical Italian corporate drama. Just over three years ago Camillo bought into Fondiaria at the behest of Raul Gardini, then the boss of Ferruzzi, upsetting Enrico Cuccia, Mediobanca's legendary deal-maker. Apparently, Cuccia had long wanted to merge Fondiaria with Generali, Italy's biggest insurer, to create a new European giant.

Fondiaria has expanded aggressively under Camillo, notably in Germany, but its ambitions have been severely clipped by the financial constraints of some of its shareholders, particularly Ferruzzi. Most punters are now betting on Fondiaria being broken up, under a Cuccia-devised plan to strengthen Generali and lower Ferruzzi's borrowings. Fondiaria's main operations would be sold to Generali, while its two smaller subsidiaries would go to San Paolo, the big Turin-based bank, and a foreign insurer, respectively. However, past experience suggests that solving Italian financial riddles is never as simple as it seems at first sight.



'Let's get everyone on workfare – then slash their wages'

Coquettish

■ One outfit thet has certainly never been renowned for its readiness to hitch up its skirts at the drop of a share-dealer's hat is the German steel and engineering group, Thyssen. So what are we to make of the company's advertisement in yesterday's Financial Times, inviting "her shareholders" to next month's annual meeting?

One possible explanation lies in Anglo-German linguistic (mis)understanding. Perhaps Thyssen's copywriters, with or without the aid of the FT's ad department, simply translated into English the feminine characteristics of the German word "*Aktiengesellschaft*"?

Then again, of course, the Iron Lady of the Ruhr could have something really sexy in mind for March 19 in Düsseldorf.

Porter calling

■ Out goes Christopher Chataway as LBC chairman and in comes Dame Shirley Porter. But the real power behind the throne of London's talk radio station is Lady Porter's son John, who put together the rescue package.

Although he is part of the Tesco supermarket family, Porter junior is very much his own man. After Oxford, and a stint with the Boston Consulting Group, he struck lucky in Californian real estate, which helped finance investments in a string of ventures ranging from credit card verification systems to a California winery.

He shares his mother's love of Conservative politics. Indeed, now his controversial mama seems set to bow out of that arena, it's not beyond possibility that he'll take over as family political torch-bearer.

Boot in

■ Keen to impress, a much-landed Swiss businessman proudly walked a visiting Texan customer around his wide acres. "Fine trek," the Texan commented afterwards. "When I look over my spread back home, d'you know, I go in my car and it takes me a whole day to cross it." "I had e car like that once, too," the Swiss said.

FINANCIAL TIMES
Wednesday February 10 1993

Mediators want US to make a substantial contribution

Peace force of 25,000 needed to police Bosnia

By Robert Mauthner in New York

THE international community will have to make an exceptional effort to ensure that any peace settlement in Bosnia is effectively implemented.

That conclusion emerges from a report to the United Nations Security Council on the latest negotiations by Mr Boutros Boutros Ghali, the UN secretary general.

The international mediators, Mr Cyrus Vance and Lord Owen, told the Security Council their peace package was enforceable, but would require 15,000 to 25,000 UN troops. Some military experts say that is a very conservative estimate.

Admitting the many past failures of ceasefires and other agreements in the former Yugoslavia, Lord Owen implied that this was a weakness which needed further consideration in the mediators' plan. Mr Vance and Lord Owen hope that issue will be addressed by the US administration in its own proposals for a peace settlement, due to be announced shortly. Specifically, they want the US to make a substantial contribution to peacekeeping forces.

The US is likely to propose modifications to the map dividing Bosnia into semi-autonomous provinces to give the Moslems more territory, more robust relief efforts to overcome the Serb militias' harassment of aid convoys and tighter sanctions against Serbia.

President Bill Clinton is also reported to be considering the appointment of a special US envoy to work in co-operation with the mediators.

The mediators, according to Mr Boutros Ghali's report, have told the warring parties that an enforceable no-fly ban would be

Washington may want map changed to give Moslems more territory

required after a ceasefire to give teeth to the control of heavy weapons. Aircraft used for enforcing the air exclusion zone might also be empowered to strike at any heavy weapons not declared to the UN Protection Force.

The mediators also urged the Security Council to establish a war crimes court to try people accused of grave breaches of international law in the former Yugoslavia.

One striking conclusion of the report is that it blames the Bosnian Moslem government, represented in New York by Mr Haris Silajdzic, the foreign minister, for refusing to discuss the proposed map during the talks in New York. This, along with the demand by Mr Radovan Karadzic, the Bosnian Serb leader, for referendums on the proposals in the contested areas, were the main obstacles to an agreement.

It remains to be seen whether the intense pressure on Mr Karadzic during the past 48 hours by Russia and Serbia to accept the map will bear fruit before the US proposals are announced. So far, the argument that it is in his interest to do a deal in advance of the more pro-Moslem stance expected to be adopted by Washington, has fallen on deaf ears.

Laura Silber reports from Zagreb: Clashes between Croat and Serb fighters yesterday appeared to ease in Krajina, the disputed Serbian enclave, as European Community monitors warned that Croatia may try to wrest control of the main motorway from local Serb rebels.

Croatian radio said a general alert in Zadar and Sibenik was lifted yesterday after Serb forces ceased attacks on the towns on Croatia's Adriatic coast. Serbo-Croat clashes erupted last month in Sector South, one of four UN Protected Areas in Croatia. The UN condemned the Croat offensive, which Croatian President Franjo Tudjman called a "limited police action".

"The line of confrontation has stabilised. After January 22 there was a heightening of tension in all the UNPAs but that has now decreased," said Mr Mike Trueman, chief information officer of the EC monitoring team in the former Yugoslavia.

But he said the situation was on a "knife's edge".

Craxi under pressure to quit as leader of Italian Socialists

By Robert Graham in Rome

MR BETTINO CRAXI, the secretary-general of Italy's Socialist party, is under mounting pressure to step down from the leadership and to back the election of a successor at tomorrow's extraordinary assembly of the party.

In spite of having received four notices from Milan magistrates that he is under investigation for alleged corruption and illicit funding of the party, Mr Craxi has insisted on keeping his position. He has consistently denied any wrongdoing and accused the magistrates of waging a personalised campaign.

The special party meeting has been called to consider Mr Craxi's possible resignation and the election of a new secretary-general. The party has already postponed such a decision on several occasions.

However, his position has been undermined by the arrest of Mr Silvano Larini, an architect and friend since university days. Mr Larini, who has been on the run outside Italy for eight months, gave himself up to Milan magistrates at the French border post of Ventimiglia on Sunday.

Bettino Craxi: under mounting pressure to step down

Mr Larini has been cited 21 times in documents seeking waiver of parliamentary immunity for Mr Craxi, and is now said to be co-operating with magistrates over allegations that he was a major collector of funds for the Socialists in Milan public works contracts.

Behind the scenes, Mr Craxi has been trying to ensure he holds sway over any potential successor. He has blocked any suggestion that Mr Claudio Martelli, the justice minister, should lead the party or hold high office.

The party faces the difficult challenge of finding a new executive with sufficient credibility to overcome the serious damage inflicted by allegations of its involvement in kickbacks on contracts. The Socialists' only solace is that magistrates are widening their investigations towards Rome, exposing other parties.

Yesterday, Mr Vittorio Sbardella, a powerful local Christian Democrat politician in Rome, received notice that he was under investigation for alleged corruption. He is the most senior Rome politician to be linked to instances of alleged corruption.

In addition, confessions made to Milan magistrates by a former member of the board of Enel, the state electricity authority, have implicated two Republican MPs in alleged illicit party funding – Mr Antonio Del Pennino and Mr Italico Santori. This is embarrassing for the small Republican party and its leader, Mr Giorgio La Malfa, who has maintained it was outside the corruption net.

Separately, Mr Aldo Belleli, owner of a prominent contracting company with overseas interests in oil, was yesterday placed under house arrest after a charge of alleged corruption.

Brussels drafts rescue plan to cut over-supply of EC steel

By Our Foreign and Industrial Staff

EUROPEAN Commissioners yesterday began the sensitive task of preparing a draft rescue plan for the ailing European steel industry, after winning a cautiously positive response from steelmakers to a Commission report on over-capacity.

But the report by Mr Fernand Braun, the EC's "steel envoy", immediately ran into trouble in Spain, where the government's longstanding attempt to restructure its lossmaking, state-owned steel industry is threatened.

Mr Martin Bangemann, EC industry commissioner, and Mr Karel Van Miert, responsible for competition policy, met senior executives of the EC's largest steel manufacturers in northern Belgium on Monday night to discuss the report.

Mr Braun has concluded that steelmakers could cut capacity by up to 25.8m tonnes in crude steel and 17.9m tonnes in rolled products. "[The steelmakers] have said the Braun report is very positive and very constructive, and they confirmed, more or less, the range [of capacity cuts]," said one senior Commission official yesterday.

Both Mr Bangemann and Mr Van Miert insist cuts in capacity are essential if the industry is to get Community aid for the 50,000 redundancies likely as a result of restructuring. The Commission must come up with detailed proposals for a meeting of EC industry ministers on February 25.

In Madrid, the government is shocked that Spain is called on to provide almost 50 per cent of the proposed overall cuts in rolled flat steel capacity when it produces just 6 per cent of the Community's output.

As Madrid sees it, Mr Braun's recommendations call for a total capacity cutback of 3m tonnes in flat products, of which the Spanish contribution will be 1.3m tonnes.

Madrid may have only itself to blame, for just under a year ago it unilaterally forwarded a plan to Brussels that outlined a cut in its steel output from 6m tonnes a year to 4.5m tonnes. In return Madrid wanted permission to implement subsidies for a $5bn restructuring plan.

The Spanish plan ran aground in October when the EC Commission told Madrid it should either write off more capacity or trim the subsidies.

Elsewhere, leading European steel companies welcomed the Braun report but would not say individually whether they had offered any capacity cuts.

Usinor Sacilor, the French state-owned steelmaker, finds the commission report "positive," according to a group official. "Now we must follow it through to the end," he said.

The French company argues that Commission policing of closures must measure actual falls in production rather than theoretical cuts in capacity. "It is very much up to Brussels to find a means of regulation," the official said.

British Steel said Monday's meeting with the Commission was "useful and positive". The Commission, it said, was "clearly cognisant of the problems facing the industry and intends to take action to facilitate the restructuring."

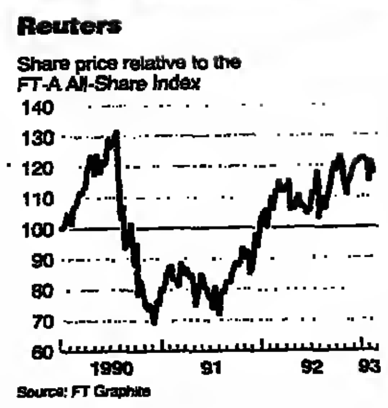
Reporting by Andrew Hill, Tom Burns, Andrew Baxter and William Dawkins

Washington in steel row, Page 4

THE LEX COLUMN

Sterling's dark side

FT-SE Index: 2831.3 (-38.7)



Yesterday's producer prices were always likely to attract attention as a first indication of the extent to which New Year price adjustments reflected sterling's devaluation. On that basis the news is both good and bad. Manufacturers' input prices rose 1.5 per cent over the month. Thanks to falling unit labour costs as well as slack demand, the increase in output prices was confined to 0.8 per cent. That is still a relatively large increase, however, which implies a degree of inflationary pressure in the economy. It would certainly be reasonable to expect that companies will move quickly to rebuild their margins once demand resurfaces.

For the time being, though, the pressures are unlikely to deter the government from cutting interest rates again. All of which makes it perplexing that the equity market should fall by 39 points on a day when sterling was also weak.

Recent experience suggests the prospect of weak sterling and lower interest rates is a recipe for higher share prices. Perhaps investors felt it was time for some profit-taking, especially since rights issue fears remain.

Perhaps the market is also watching political developments. Talk of cutting welfare spending is a reminder that Mr Major must deliver the occasional sop to the right as well as the left wing of the party. That could mean eventual action to head off a protracted fall in sterling. A weak currency will cease to be a blessing for shares the moment it becomes politically unacceptable.

Charter Consolidated

It is difficult to fault Charter Consolidated's sale of its 38 per cent stake in Johnson Matthey. Since the two main purchasers, Johannesburg Consolidated and Minorco, are jointly buying 20 per cent, one might have expected them to pay a premium for the degree of control which that represents. But the stake is being kept within the Anglo American family and Charter cannot complain about a historic exit multiple of nearly 20. Indeed the failure of the move to flush out a full bidder and the relatively large parcel which is being placed with institutions suggest Johnson Matthey is pretty fully valued by the market.

Charter may not find it quite so easy to dispose of the proceeds. At current interest rates, it will suffer earnings dilution while it holds the money in cash. A reasonably quick move is thus called for. The assumption is that it will begin by buying its own shares back from Minorco, leaving it free to pursue its ambitions in manufacturing.

The deal will leave Charter with net cash of some £400m ($600m). That is more than enough to buy out Minorco's 36 per cent stake, which is currently worth some £350m. The market will then discover whether Charter's Mr Jeffrey Herbert is as shrewd a buyer as he is a seller – no mean challenge when most low-rated assets are cheap for a reason. He must be hoping that, after its help with the first leg of the transaction, Minorco will set the right tone by not driving too hard a bargain on the second.

Reuters Holdings

Few companies are robust enough these days to increase their capital expenditure and dividends by a quarter and still be left with increased cash at the year-end. But with a rating topping those of the giant drugs companies, Reuters has to move at the speed of light.

Its fortunes depend on smoothly rolling out a stream of blockbusting products which are both tricky and costly to develop and market. Once successfully launched, they produce an embarrassment of riches. But that leaves Reuters looking slightly uncomfortable with its £710m ($1.07bn) cash pile. The more generous dividend policy is one way of disbursing the money. A special one-off payment remains a possibility. But Reuters appears intent on investing most of the cash in new activities. The speed and success of this investment will largely determine whether it can retain its premium rating.

Reuters has a host of options: the concern is that few appear to offer the same returns as its core business. The company's interest in Visnews and ITN highlights its ambitions in television but rewards will be slow in coming. With the core dealing services experiencing more intense competition and with the pipeline of new products progressing more slowly than the company would like, Reuters may come under some short-term pressure. Like the drugs stocks, Reuters may be heading for a rerating.

Axa

Yesterday's convertible bond from Axa suggests its investment in Equitable Life is starting to look less of a steal. The US business was always going to require additional capital. Even so, the market might be forgiven for worrying that the final bill will run into hundreds of millions of dollars. Axa is being understandably vague. It cannot itself assess the precise impact of proposed US capital adequacy regulations or the final extent of provisions on the investment portfolio of junk bonds and mortgages.

Having taken its US ambition thus far, though, Axa can hardly let Equitable Life fall into disrepair. With US buyers of life assurance taking a keen interest in financial strength, that means keeping credit ratings and solvency well up with the pack. By injecting funds into its US operation last year, Aegon is setting a fast pace. If others follow, Axa may end up facing a choice between losing market share and injecting still more capital. With its shares trading at a three-year high, Axa had a natural opportunity to raise cash. As recession looming at home, it may not get as good a chance again.

British Gas

The attempt by British Gas to portray itself as exercising self-restraint on pricing cut little ice with either the regulator or the market. Yesterday Ofgas said its reading of the gas price index did not justify price rises in the first place. Whichever side is right, the exchange is a side-show to the main event at the Monopolies and Mergers Commission. Even confirmation that the combative Sir James McKinnon will step down from Ofgas this year did nothing to lift the shares. They are likely to underperform until the outcome of MMC review is clear.

Sapin seeks closer monetary ties with Germany

Continued from Page 1

long-term future of the EMS.

The French finance ministry dismissed as "absolutely without foundation" reports that the two countries might agree a fixed exchange rate between their currencies. Mr Sapin also stressed that the French and German governments did not intend to take monetary measures which would exclude other European currencies.

"The European currency will not be simply a Franco-German one," he said. "I would say 'yes' to the idea of Franco-German co-operation being the hard core of the European monetary system, but I would say 'no' to the idea of other countries being excluded.

In Bonn, Mr René Monory, president of the French Senate and a leading member of the opposition UDF, called for a fast track to a single European currency to end recent speculative attacks against individual currencies in the European Monetary System.

However, the debate is being treated with great caution in the main German government ministries and virtual disdain in the Bundesbank in Frankfurt.

"The pressure is coming from France, from the French opposition, but they have not given us any idea of the mechanics," one official said. "The Bundesbank is very reticent about the whole idea. It would seriously limit its room for manoeuvre. We have not been asked to do any work on this here."

Another senior official said the proposals for a fast track monetary union were "a crisis scenario, not a government scenario. The French have to say how they would do it.

"It is very difficult for us to see how we can do more than what we have agreed to," he added. "I don't think there is a quick possibility of doing more, especially not on our part."

A German finance ministry official said: "One can fantasise about things like a fast track solution, but we have not been asked to."

World Weather

		°C	°F			°C	°F			°C	°F
Ajaccio	F	15	59	Boulogne	C	4	39	Frankfurt	C	2	36
Algiers	F	17	63	Brussels	C	3	37	Geneva	C	3	37
Amsterdam	Fg	5	41	Budapest	S	3	37	Gibraltar	C	15	59
Athens	S	10	50	Buenos Aires	R	14	57	Glasgow	R	9	48
Bahrain	S	16	61	Cairo	S	13	55	Helsinki	S	8	46
Bangkok	F	33	91	Cape Town	S	34	93	Hong Kong	S	22	72
Barcelona	F	12	54	Caracas	C	26	79	Innsbruck	S	9	48
Beijing	S	6	43	Casablanca	S	20	68	Inverness	Fg	3	37
Beirut	-	-	-	Chicago †	C	0	32	Islamabad	F	23	84
Belfast	Dr	7	45	Cologne	S	5	41	Istanbul	F	9	48
Belgrade	S	6	43	Copenhagen	Dr	3	37	Jakarta	R	29	84
Berlin	C	4	39	Corfu	-	-	-	Johannesburg	F	17	63
Biarritz	S	13	55	Dallas †	S	8	46	Lisbon	S	13	55
Bombay	S	33	91	Dublin	C	6	43	London	Dr	6	43
Bordeaux	C	11	52	Dubrovnik	-	-	-	Los Angeles †	F	13	55
				Edinburgh	C	9	48	Luxembourg	C	0	32
				Faro	C	17	63	Madeira	F	18	64
				Florence	S	13	55	Madrid	S	8	46

		°C	°F			°C	°F			°C	°F
Majorca	S	15	59	Oporto	F	14	57	Tenerife	S	19	66
Malaga	S	16	61	Oslo	S	16	61	Tokyo	F	8	46
Malta	C	15	59	Paris	C	3	37	Toronto †	F	-12	10
Manila	F	31	88	Prague	S	8	46	Tunis	R	13	55
Melbourne	C	17	63	Reykjavik	S	-1	30	Valencia	S	16	59
Mexico City	C	20	68	Rhodes	S	10	50	Venice	C	5	41
Miami †	S	13	55	Rio de Janeiro	F	40	104	Vienna	S	3	37
Milan	Fg	3	37	Rome	F	12	54	Warsaw	C	1	34
Montreal †	S	-23	-9	Salzburg	C	1	34	Washington †	S	-2	28
Moscow	C	3	37	S'Francisco †	S	9	48	Zurich	C	2	36
Munich	C	-1	30	Seoul	S	8	46				
Nairobi	-	-	-	Singapore	-	-	-				
Naples	F	17	57	Stockholm	F	7	45				
Nassau	C	26	79	Strasbourg	C	3	37				
New Delhi	S	24	75	Sydney	F	29	84				
New York †	S	-4	21	Tangier	R	17	63				
Nice	S	14	57	Tel Aviv	C	8	46				
Nicosia	S	11	52								

Temperatures at midday yesterday
† Noon GMT temperatures
C–Cloudy Dr–Drizzle
F–Fair Fg–Fog H–Hail
R–Rain S–Sunny
Sl–Sleet Sn–Snow
T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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Wednesday February 10 1993

INSIDE

Ericsson lifted by final term

Shares in Ericsson, the Swedish telecommunications group, rose 9 per cent as it benefited from a better-than-expected 1992 result, a bright 1993 forecast and healthy news on orders. The group's profit fell to SKr1.30bn ($180m) from SKr1.60bn in 1991, but this disguised an exceptionally strong fourth-quarter performance. Page 18

Total sees 52% earnings drop

Total, the smaller of France's two oil groups, estimated a 52 per cent fall in annual net profits, mainly due to a sharp recession-born decline in refining margins. The slide to FFr2.8bn ($512m) from FFr5.8bn in 1991 contrasts with a 35 per cent decline at Elf Aquitaine, Total's larger French rival. Page 16

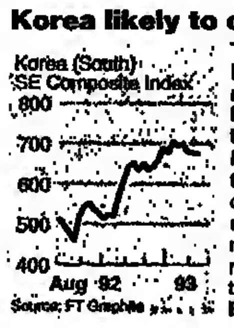
Isosceles sells US sports chain

Isosceles, the heavily indebted parent of the UK Gateway food retail group which is trying to renegotiate its debt, has finally agreed the sale of Harman's Sporting Goods, its US chain of 259 sports shops. Page 21

Rosy outlook for apple growers

The export outlook for apple growers in New Zealand, poised to be the first large producer permitted to sell to Japan, has never been rosier. Apples are a high-priced luxury in Japan, where large blemish-free fruit are virtually hand reared, then sold individually, with a family dividing one up between them. Page 24

Korea likely to continue rise



The recent cut in South Korea's official interest rates is expected to have mixed effects on the Seoul equity market. Most analysts believe the cut will lay the foundation for a second-half recovery, although it will not match gains the market has achieved in the past six months. Back Page

News Corp lifts dividend 20%

News Corporation, the international media group controlled by Mr Rupert Murdoch, announced a 20 per cent increase in its dividend following continued earnings resurgence for the six months to December 1992. Page 19

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				**Falls**			
Rises				Air Liquide	766	–	14
Aachen Mch	665	+	20	Fin Paribas	486	–	14
DLW	456	+	10	Graas	103	–	11
Goldschmidt	720	+	10	Soc Generale	615	–	19
Leifheit	443	+	9	UAP	530	–	13
Falls				**TOKYO (Yen)**			
Heidelb Zem	985	–	14.5	**Rises**			
Porsche	450	–	5	Ando Elec	662	+	107
NEW YORK ($)				Hotta Textile	215	+	25
Rises				Oriental Photo	260	+	30
Compaq	49⅛	+	½	Saitama Seni	243	+	23
Digital Equip	43⅞	+	1¼	Toho Acetylene	234	+	24
Hewlett-Packard	67⅞	+	¼	**Falls**			
IBM	54⅜	+	1½	Sansui Elec	202	–	26
News Corp	40⅛	+	1¾				
Whirlpool	51¼	+	2½				
PARIS (FFr)							
Rises							
Cap Gemini	164.5	+	15				

New York prices at 12.30.

LONDON (Pence)							
Rises				Albert Fisher	66	–	5
Aran Energy	23½	+	2½	Ensign	15	–	3
Bellwinch	31	+	3	Hepworth	331	–	11
Brabant Res	39	+	10	Kleinwort Benson	347	–	15
Friendly Hls	182	+	15	MacfarlaneMoore	22	–	5
Hunting	233	+	15	Osprey Comms	17	–	2½
Lambert Howth	455	+	55	Sind Platform	62	–	4
Northamber	35	+	4	Storehouse	194	–	11
P & P	44	+	5	Tadpole Tech	261	–	43
Plaxton Intl	26	+	5	Vardy (Reg)	141	–	5
Ramsden's(H)	148	+	8	Ward Hldgs	30	–	4
Falls				Willis Group	20	–	2¼
Aberdeen Pet	11¼	–	1¼				
Acorn Computer	115	–	31				

French insurer to boost US associate via $3.65bn convertible bond issue

Axa shares hit by sharp fall in profits

By Alice Rawsthorn in Paris

AXA, one of France's largest insurance groups, yesterday saw its shares fall FFr28 to FFr1,114 on the news of a fall in net profits for 1992 and of a FFr3.65bn convertible bond issue to strengthen the capital position of Equitable Life, its US associate.

Mr Claude Bébéar, Axa chairman, said it needed to invest several hundred million dollars in Equitable to enable the US company, in which Axa bought a 49 per cent stake in 1991, to meet the new US regulations on risk-based capital ratios.

Equitable needs to raise its ratio from the present 85 per cent to the required level of 100 per cent by 1996 when the new rules come into effect.

Mr Bébéar stressed that the new ratio was the only reason for Axa's investment in Equitable Life.

"It's not because we've found anything nasty at the company," he said.

However, Axa suffered a sharp fall in profits last year with net attributable profits slipping to between FFr1.5bn and FFr1.6bn from FFr2.4bn in 1991.

The group, like other French insurers, was hit by the intensely competitive state of both the life and non-life markets in France.

Axa, which had previously announced a 34 per cent fall in first-half profits to FFr973m, was affected by a steep reduction in the value of its exceptional gains on sales of property and industrial investments and by a poor second-half performance from Equitable Life.

In spite of yesterday's fall in Axa's share price, analysts appeared convinced that the investment in Equitable Life would be sufficient to solve the ratio problems and that the US company was on course for recovery.

"The Equitable Life investment was a reasonable deal for Axa", said Mr Michael Huttner, European insurance analyst at BNP Securities in London, "although it will take time for earnings to come through."

Analysts expect a moderate improvement in Axa's performance for 1993 in spite of the continuing difficulties of the French insurance market.

BNP Securities has predicted net profit of FFr2bn for this year with Paribas forecasting FFr1.8bn.

However, the Paris stock market is braced for a gloomy series of announcements over the next few weeks from other French insurers as they disclose sharp falls in 1992 net profits.

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World stock markets, Back Page

Noranda to sell stake in Macblo

By Bernard Simon in Toronto

NORANDA, the Canadian resources group controlled by Toronto's Bronfman family, is insulating itself from the unrest in other parts of the Bronfman empire by selling its 49 per cent stake in MacMillan Bloedel (Macblo), the Vancouver-based forestry group.

Noranda Forest, which holds Noranda's pulp and paper interests, will raise C$971m ($764.5m) from the sale. Its 55.5m shares will be offered to institutional and retail investors in Europe and Canada at C$17.50 per share through a group of securities dealers led by RBC Dominion Securities and Burns Fry.

Besides being western Canada's biggest forestry company, Macblo is to emerge as a significant minority shareholder in the large Dutch paper and packaging group being created by the merger of KNP, Buhrmann-Tetterode and VRG.

Macblo owns 30 per cent of KNP. It said yesterday that it would have a 16 per cent stake in the enlarged company, with an option to raise its shareholding to 20 per cent through newly-issued shares.

Mr Alf Powis, Noranda's chairman, said yesterday that the sale of Macblo had "bullet-proofed" Noranda from concerns in investment and banking circles about the health of other parts of the Bronfman industrial and financial services empire.

Shares of companies in the Bronfman orbit have plummeted in recent weeks amid fears that troubles at Bramalea, a property developer under bankruptcy protection, and Royal Trust, which is seeking an infusion of capital, might spill over into the rest of the group.

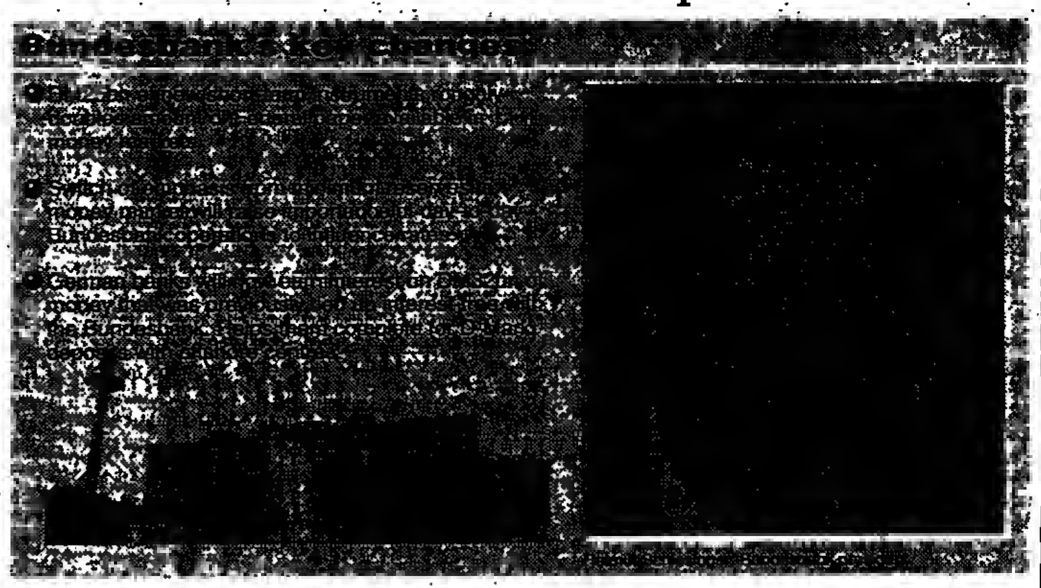
The Macblo sale will cut Noranda's debt-to-capital ratio from 45 per cent to 25 per cent. Mr Powis said proceeds would remain with Noranda Forest, which has sharply cut its capital spending to conserve cash.

News of the deal pushed Noranda's share price up by C$1.25 to C$18.63 in early trading on the Toronto Stock Exchange yesterday. Shares of other Bronfman-controlled companies also advanced.

Macblo, which has been hit by the slump in North American pulp and paper markets, separately announced that losses narrowed last year to C$48.8m, or 52 cents a share, from C$93.4m, or 98 cents a share, in 1991. Revenues rose to C$3bn from C$2.7bn.

David Waller analyses the latest cut in German banks' reserve requirements

Bundesbank aims to give Frankfurt markets a lift



THE German interest-rate cut announced last Thursday was only third among items on the Bundesbank's press release. Higher up the list – and more important, in the view of Mr Johann Gaddum of the Bundesbank council – were the move to cut reserve requirements for German banks and to introduce DM25bn ($15bn) of short-term government securities.

Given the international implications of the interest rate move, Mr Gaddum's tongue must have been partly in his cheek. Still, from the point of view of *Finanzplatz Deutschland*, Germany as a financial centre, the importance of the other measures should not be under-estimated.

They are the latest in a series of moves in which the Bundesbank has lifted restrictions on German financial services with the aim of strengthening Frankfurt's competitive position in the battle against other European financial centres.

Two such initiatives in recent years have helped create a flourishing futures and options market – the Deutsche Terminbörse (DTB) – and a successful commercial paper market. Thursday's decisions are at least as important.

For years, bankers have complained that the Bundesbank's reserve requirements have acted as a brake on profitability and played into the hands of bankers in Luxembourg, London and Paris. For every DM100 that a German bank took as a deposit, it was obliged to place between DM4.50 and DM12.10 with the central bank, interest free.

From the Bundesbank's point of view, this was a useful way of keeping control of monetary developments. For the commercial banks it meant that they could not pay as much interest to depositors as banks in other countries where reserves were non-existent (as in Luxembourg) or small (as in London, where they are 0.35 per cent). Interest rates on deposits in Luxembourg have traditionally been 150 basis points higher than in Germany.

By some calculations, more than DM200bn is deposited in D-Mark accounts outside Germany, driven abroad because of the impact of reserve requirements on marginal interest rates. Last year alone more than DM60bn left Germany to be deposited in Luxembourg, often with local branches of German banks. Reserve requirements are an important contributor to this trend (though Germany's withholding tax is probably the main impetus.)

The Bundesbank has not, in its latest move, gone so far as abolish all minimum reserves: they were cut from an average of 4.5 per cent to 2 per cent on time deposits and savings deposits. They were left unchanged on sight deposits, where the reserve can be as high as 12.5 per cent.

In total, however, the cut has liberated DM32bn of reserves currently lodged interest-free by banks with the Bundesbank. This meant a windfall gain for Germany's big banks, reflected in strong share gains last week.

It has also "removed some of the competitive differential with Luxembourg and other financial centres", says Mr Klaus Friedrich, chief economist at the Dresdner Bank – and raised the possibility of further easing in the requirements in the future.

> **From the point of view of Finanzplatz Deutschland, the measures should not be under-estimated**

The second item on Thursday's list is the announcement of DM25bn of new short-term government securities – Bubills as they have already been christened. These are to be issued next month with maturities of three, six and nine months, and fill an important gap in the range of investment products on offer.

Corporate treasurers will be among the most enthusiastic purchasers of the new securities, but they will be issued in minimum denominations of DM100,000, so they will be attractive to wealthy individuals as an alternative to bank savings accounts.

At present the only way for investors to buy short-term risk-free investments is to buy commercial paper issued by the Treuhand, the government's privatisation agency for eastern Germany, which is the biggest issuer on the German CP market. The shortest maturity for bunds is one year, but the bulk of the government's lending is conducted with longer maturities.

"It rounds out the range of products you will be able to invest in in Germany in comparison to the US," says Mr Mark Houghton-Berry at Goldman Sachs in Frankfurt. The new instruments are likely to be of interest to institutional investors and to central banks which hold D-Marks as reserves.

Taken as a whole, last week's measures reflect the fact that money market operations – conducted at the moment through regular auctions of security repurchase agreements (repos) and other instruments – are more important than reserves in the battle to contain inflation. The new instruments will round out the Bundesbank's armoury of money-market tools used to fine-tune German interest rates and monetary developments.

"Compared to minimum reserves, the new instruments will give much more sensitivity to the central bankers in their steering of monetary policy," said Mr Martin Hüfner, chief economist at the Bayerische Vereinsbank. "The money market is too narrow and does not have enough instruments."

The new paper is not just a convenience; it also marks an important shift in the way the Bundesbank deals with German liquidity, by giving it the ability to influence the holdings of German companies. "For the first time it will allow the Bundesbank to influence liquidity outside the banking system in the corporate sector," said Mr Friedrich at Dresdner Bank. "It will be able to go right to the heart of non-bank liquidity."

Reuters raises dividend 24.7% as cash balances increase

By Andrew Bolger in London

REUTERS HOLDINGS, the business information and news group, dipped into a growing cash pile to increase its dividend for the year by 24.7 per cent, in spite of difficulties which continue to affect its main financial customers.

The group's pre-tax profits grew 12.6 per cent to £383.2m ($547m) in the year to December 31. Net cash balances rose by £206.9m to £709.8m. A 29 per cent increase in the final dividend to 15.9p from 12.3p gives a total for the year of 21.2p (17p).

Mr Peter Job, chief executive, said: "Market conditions are favourable enough to sustain growth across all our product lines. Problems affecting the financial community in some of our major markets, such as Japan, will probably mean that the rate of increase in our underlying revenue is not as fast as we would like." About 80 per cent of Reuters' revenues are designated in non-sterling currencies, so the devaluation of the pound is likely to boost revenues, although the full benefits will only flow through to earnings as currency hedges unwind.

Mr Job said: "Our cash position is strong enough to allow us to pursue new investment ideas and, at the same time, to recommend an increase in dividend well ahead of earnings growth."

Earnings per share grew 2.3 per cent to 56p, but this was depressed by an extraordinary charge of £24.6m relating to an Australian tax settlement. Before the extraordinary item, earnings were 12.9 per cent higher at 61.8p.

Reuters' revenue grew 4.5 per cent, adjusted to exclude the effect of currency movements. The Americas turned in a record performance, assisted by the rapid growth of Instinet, the subsidiary which runs an equities transaction business. The American contribution to profits was £15m, compared with a loss of £5.2m last time. Revenue grew 13.6 per cent to £259.4m.

Strong revenue growth in eastern Europe and the China region was offset by continuing weakness of the financial services sector in several main centres. At actual rates of exchange the revenue of Europe, the Middle East and Africa grew 5.9 per cent to £952.8m, and the contribution to profits rose 9.7 per cent to £334.7m. Revenue from the Asia-Pacific region rose 6.4 per cent to £297m.

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IBM moves to bolster mainframes

By Alan Cane in London

IBM, the US computermaker, has launched a range of products designed to persuade customers that mainframe computers will remain an important feature of corporate data processing. This is the company's first big announcement since Mr John Akers said he would step down as chief executive.

The statement would be of interest chiefly to data processing specialists were it not for IBM's financial difficulties and the central role mainframe computers have played in the company's history.

It unveiled 18 new machines in its flagship Enterprise Systems range. One model, comprising eight processors coupled together, is said to be the world's most powerful general purpose computer. No prices have been announced; IBM strikes individual deals with customers.

IBM lost money in 1991 and 1992 in a reversal of its earlier mastery of the computer business. Its 1992 $4.9bn loss was the largest in US corporate history.

Its financial difficulties have been attributed largely to its fixation with mainframes. They are large, expensive machines which command high gross profit margins but which are increasingly unpopular with customers, who now favour smaller, less expensive computers and desk-top systems linked together in networks, a trend called client-server computing.

Customers are also looking for open systems which obey industry standards rather than proprietary designs.

IBM's mainframe revenues are estimated to have declined by about 15 per cent, to $9.3bn from $10.9bn last year. However, computer experts said that for many data processing applications there was no substitute for the power and flexibility of a mainframe. These include, for example, airline reservation systems, where transactions involving thousands of individual requests have to be processed simultaneously.

Among yesterday's announcement was a batch of software products which would make it easier for mainframes to act as system manager in a client-server network.

Within hours of the launch in Europe yesterday, Siemens Nixdorf of Germany announced its own eight-processor mainframes, also using an open operating environment.

Ericsson lifted by strong final term

By Christopher Brown-Humes in Stockholm

SHARES in Ericsson, the Swedish telecommunications group, rose 9 per cent yesterday as it benefited from a better-than-expected 1992 result, a bright forecast for 1993 and news of a healthy order intake.

The group's profit for the year fell to SKr1.3bn ($180m) from SKr1.6bn in 1991, but this disguised an exceptionally strong fourth-quarter during which profits rose to SKr1.18bn from SKr97m.

Ericsson also disclosed a 19 per cent increase in orders to SKr55.4bn from SKr44.7bn and was distinctly upbeat about prospects.

"As a result of our undiminishing strong investments for the future, a considerable improvement in earnings is expected in 1993," said Mr Lars Ramqvist, Ericsson president and chief executive.

Ericsson held its 1992 dividend at SKr3.50 a share, as earnings per share dipped to SKr3.18 from SKr3.69. Sales for 1992 rose 3 per cent to SKr47.0bn.

Many analysts believe the fourth-quarter results mark the beginning of a strong recovery. "These figures are very impressive and they are clear evidence that Ericsson has turned the corner," said Mr Andrew Haskins, European electronics analyst at James Capel in London.

The driving force behind the group's performance has been its strong order growth, as bookings have risen for five consecutive quarters.

The strongest performer has been mobile telephone systems, where order bookings rose 56 per cent last year. Confirming the trend, the group yesterday announced a A$200m (US$135.1m) contract from Arena GSM to supply telecommunications equipment for Australia's third cellular telephone network.

The company indicated that it was well placed to win new orders from China with a possible value of up to SKr7.4bn.

The recovery in 1993 will be enhanced by recent cost-cutting measures and, in the latter part of the year, by the devaluation of the Swedish krona.

The group said yesterday that the weaker Swedish currency had had only a marginal effect on its 1992 result.

Ericsson believes it is reaping the benefits of continued investment in new technology, in spite of the international recession. "Products that did not exist even one or two years ago account for slightly more than one third of total order bookings," it stated.

The group's shares closed up SKr18 at SKr209 in exceptionally heavy volume of 341m shares.

● Procordia, the Swedish food and pharmaceuticals group, said yesterday it had signed a preliminary agreement to sell its Finnish daughter company Wallac to EG&G, the US technology group.

Procordia said the disposal reflected its decision to concentrate on health care and branded consumer goods.

Wallac, which is based in Turku in Finland, manufactures and markets analytical and immunodiagnostic systems. It has 500 employees and annual sales of about $50m.

Wallac's analytic instrument operations are deemed to fit well with EG&G's instrument business, while the Finnish company's diagnostic activities offer the US group a new business area. Terms of the deal were not disclosed.

See World Stock Markets

Johnson Matthey stake sold for £342m

By Kenneth Gooding, Mining Correspondent

CHARTER Consolidated, the UK industrial group, yesterday achieved its long-held ambition to dispose of its 38.3 per cent shareholding in Johnson Matthey, the world's biggest platinum marketing group. Charter will collect about £342m ($516m) from the sale.

A large part of the Charter holding, representing 20 per cent of JM, is to be bought for £157.8m or 490p for each JM share by a new company jointly set up by Minorco, the Luxembourg investment company, and Johannesburg Consolidated Investment Corporation, the mining group.

All four are perceived to be part of an international "family" of companies influenced or controlled by the Anglo American Corporation of South Africa.

The rest of the JM shares were placed with a wide range of institutions in London yesterday for £154.6m, or 456p a share, by Barclays de Zoete Wedd and UBS Phillips & Drew. After the announcement JM shares fell by 19p to close at 473p and Charter's ended 28p down at 656p.

Analysts suggested there was some disappointment that Charter's disposal had not sparked a bid for JM and that the platinum marketing company once again would be virtually bid-proof.

It was widely expected that Charter would use most of the cash raised to buy Minorco's 35.7 per cent stake in Charter and disentangle itself completely from the Anglo web.

Minorco is paying £90.6m cash to Charter on completion but JCI will pay in two equal tranches of £33.61m, the first on completion and the second in three years, unless JCI takes up an option to repay earlier.

In the negotiations Hambros advised Charter; S. G. Warburg advised Minorco; Standard Merchant advised JCI; and Baring Brothers advised JM.

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Total sees 52% drop in earnings as margins fall

By William Dawkins in Paris

TOTAL, the smaller of France's two oil groups, yesterday estimated a 52 per cent fall in annual net profits.

The drop is mainly due to a sharp decline in refining margins, reflecting the impact of recession on the demand for refined products.

The profits fall, to FFr2.8bn ($512m) from FFr5.8bn in 1991 is in line with Total's warnings at the end of 1992 that net earnings would fall by more than the 47 per cent drop recorded in the first six months.

This contrasts with a 35 per cent profits decline at Elf Aquitaine, Total's larger French rival, reflecting Elf's lower exposure to refining.

Refining margins, of $4.1 per barrel, were exceptionally high in 1991 because of the demand unleashed by the Gulf war, but nearly halved to $2.1 per barrel last year, reflecting "world wide economic stagnation", said Total.

As a result of the difficult economic situation, Total has taken a FFr500m non-recurring charge in last year's accounts.

Group operating profits fell by 30 per cent to FFr7.2bn from FFr10.3bn over the period, within which refining and marketing profits were more than halved to FFr2bn from FFr4.9bn.

Total's refineries in the US recovered from difficult markets in 1991 to break even last year.

Exploration and production profits were unchanged at FFr2.9bn, while trading profits fell to FFr600m from FFr1bn.

The chemicals division produced a rise in operating profits to FFr1.7bn from FFr1.5bn, helped by an improvement in the profitability of the recently reorganised inks and resins companies.

Total's worldwide reserves rose over the period to 531m tonnes of oil equivalent from 513m tonnes.

This figure does not include Total's interest in the new Cusiana oil field in Colombia, the discovery of which was announced last year.

Cash flow fell slightly to FFr10.1bn from FFr13.7bn in 1991 while capital spending was unchanged at about FFr15bn.

By the end of the year, debts stood at 35 per cent of shareholders' funds.

● Elf Sanofi, the pharmaceuticals arm of Elf Aquitaine, the French state-owned oil group, yesterday said it expected net profits of more than FFr1bn in 1992, up from FFr950m in the previous year.

The group, which last month announced a merger with Yves Saint-Laurent, one of the best known names in French fashion, attributed the improvement to the benefits of its alliance with Sterling Winthrop, the US pharmaceuticals company.

Elf Sanofi's turnover rose by 9.4 per cent to FFr21.4bn last year, within which the strongest growth came from human healthcare, up by 16.3 per cent to FFr12.2bn.

Restated for acquisitions, the underlying group sales rise was 3.9 per cent.

Pharmaceuticals sales were stable in France, but rose sharply elsewhere in Europe.

Perfumes and beauty products saw a 6 per cent rise in turnover to FFr1.9bn, helped by a significant sales increase in North America.

UK politician to head London radio station

By Raymond Snoddy in London

DAME Shirley Porter, the UK Conservative politician will today be appointed chairman of LBC, the London commercial radio station now effectively controlled by Porter family interests.

Mr Christopher Chataway, the LBC chairman who is also chairman of Crown Communications, the broadcasting company now in receivership, has decided to step down as chairman.

He will stay on as a non-executive director and support LBC's bid to regain its franchise.

A key element in Mr Chataway's continued support for the new regime at LBC was the renewal of the contract of Mr David Haynes, the chief executive.

Mr Haynes and Mr Chataway were keen supporters of the move into France and the purchase of a stake in RFM, the radio network, which turned into a disaster for the group. Crown was forced into receivership when the CSA, the French broadcasting authority, blocked the sale of the network to a consortium that included NRJ, a rival commercial network.

Meanwhile Mr Patrick Meyer, the founder of RFM, who sold out to Crown and now lives in the US has decided to make a bid for his old radio network.

Mr Meyer, speaking from Arizona said he has the support of a big financial institution and a famous French artist. He also plans to make stock available to the staff of the network, which has 114 stations. RFM is now in receivership but is still trading and playing pop music.

Mr Meyer says he will soon be presenting his case to the CSA, RFM staff and the receiver when one is officially appointed. "It is a good station if you get the right format and don't change it all the time," Mr Meyer added.

The NRJ consortium and a group led by TF1, the French first television channel are also interested in the network.

Mr Chataway, it is believed, has told Mr Porter he will not have the time to chair LBC during the station's franchise renewal period, which begins next month.

David Dworkin quits Storehouse for US

By Neil Buckley in London

MR David Dworkin, chief executive of Storehouse, is leaving the UK retailing group in a surprise move to become chief executive of Carter Hawley Hale Stores, one of the largest fashion retailers in the US.

Storehouse, which includes the BhS and Mothercare chains, was expected to make an announcement today about the future of Mr Dworkin – widely credited with having turned the group round – after its shares fell 11p to 194p on rumours that he was about to resign.

However, Carter Hawley Hale announced last night that Mr Dworkin was to take over from Mr Philip Hawley as president and chief executive officer from April 1.

Mr Dworkin, a 49-year-old American born in Cleveland, Ohio, was recruited to head the BhS group in November 1989 from Bonwit Teller, the US department stores group. He is known to have been unhappy living in the UK.

Analysts and industry insiders said the challenge at Carter Hawley would be just the sort Mr Dworkin would relish, having led the recovery at Storehouse. Carter Hawley was a successful retailer in the 1980s which had problems controlling its debt and emerged last October from Chapter 11 bankruptcy protection.

Pre-tax profits at Storehouse increased from £1.3m in 1990 to £15.8m last year, and are forecast to reach about £20m this year. Mr Dworkin has reduced the size of the business, selling off Habitat and Richards, and focusing the group on BhS and Mothercare.

Management reforms, a revamp of the stores' image and products, the better use of space and computers, have all contributed to a consistent increase in sales and margins at BhS over the past 15 months.

Although the City reacted badly to rumours of his departure, analysts said this would not be disastrous as he had already taken all the fundamental steps required.

CHH, which had sales of $2.1bn for the year to end-January, has 83 fashion stores in the western US operating under four names, The Broadway, The Broadway-Southwest, Emporium and Weinstocks.

SAS and Icelandair in strategic collaboration

By Christopher Brown-Humes

SCANDINAVIAN Airlines System and Icelandair yesterday announced a strategic collaboration which will allow the Icelandic carrier to create a European hub at Copenhagen airport.

The agreement will see Icelandair increasing its Copenhagen round trips from seven to 28 a week, starting from June 1 at the latest.

"The pact will strengthen both airlines position in their northern European home markets," said Mr Vagn Sorensen, senior vice-president at SAS Business Division, "It spells a significant boost to SAS's traffic system at the Copenhagen hub."

Under the agreement, Icelandair will increase its flights from Keflavik (outside Reykjavik, the capital of Iceland) to Copenhagen from daily to twice daily and it will start twice daily services between Copenhagen and Hamburg.

Passengers on these services will be able to access 30 cities on SAS's European network and some of its international flights.

Analysts said that the agreement reinforced the importance of Copenhagen to SAS at a time when there was some sensitivity over the airport's future role in the context of a broadening of the European Quality Allience. This is a loose partnership that groups SAS, Swissair and Austrian Airlines.

KLM, the Dutch airline, recently said it was considering launching talks on strategic co-operation with the three airlines.

Bouygues takes 26% holding in Basil Read

By William Dawkins

BOUYGUES, the leading French construction group, has taken a 26 per cent stake in Basil Read, South Africa's sixth largest construction company, its first investment of this type in a foreign group.

Basil Read has a R500m ($160m) annual turnover in building, civil engineering, roads, tunnel and mine digging, and waste disposal. The investment, the amount of which is undisclosed, will help Basil Read develop in South Africa and adjacent countries.

● Thomson-CSF, the defence electronics arm of the French state-owned Thomson electronics group, has revealed a 2.4 per cent fall in sales last year. Turnover declined to FFr34.44bn in 1992, from FFr35.2bn a year earlier.

INTERNATIONAL COMPANIES AND FINANCE

Ssangyong and Mercedes-Benz in car link-up

By Jack Burton in Seoul

SSANGYONG Motor, South Korea's fifth largest vehicle producer, yesterday said it plans to enter the passenger car market in 1996 in co-operation with Mercedes-Benz.

Ssangyong, which now manufactures commercial and four-wheel drive vehicles, will produce medium-size and luxury car models under licence from Mercedes, which acquired a 5 per cent shareholding in the Korean company last year.

Fifty thousand cars will be manufactured annually after Ssangyong invests $500m in production facilities. Some will be sold abroad through the Mercedes dealer network.

It is the first time that Mercedes has licensed its car technology to a foreign manufacturer for full-scale production, according to Ssangyong.

Until 1996, Mercedes has an option to increase to 10 per cent its shareholding in Ssangyong Motor, part of Korea's sixth biggest business group.

Ssangyong plans to produce the MB-100 light commercial van under licence from Mercedes from next year, with some of the vehicles being exported to Europe, where they will be sold by the German manufacturer.

The Korean Ministry of Trade and Industry is likely to approve the deal in spite of worries that the Korean car industry may soon have an excess of producers.

Ssangyong will compete against Korea's three current passenger car producers – Hyundai, Kia and Daewoo. Samsung is also expected to enter the passenger car industry in the next few years.

Ssangyong's decision to concentrate on manufacturing medium and large-size cars is part of the trend among Korean vehicle manufacturers to reduce dependence on smaller cars.

Daewoo Motors will begin licensed production this year of Honda's Legend, which will be its first luxury car.

Other Korean-made luxury cars include Hyundai Motor's Grandeur and Kia Motors' Potentia, both based on Japanese technology.

Mercedes-Benz and Ssangyong are to manufacture cars with engine capacities of between 1,800cc and 3,200cc from 1996.

A Ssangyong spokesman said the project would commence immediately government approval was given, probably in September.

South African steel group cuts dividend

By Philip Gawith

HIGHVELD Steel and Vanadium, the South African steel producer which is part of the Anglo American group, reported steeply lower profits for 1992 and is to cut its dividend.

Mr Leslie Boyd, chairman, said demand for all products had deteriorated. He did not make a specific profit forecast for 1993 but said he expected the bottom of the cycle would be reached during the current year.

Although 1992 turnover rose by 8 per cent to R1.49bn ($477m), pre-tax income declined by 32 per cent to R74.4m.

A sharp fall in the tax bill to R3.6m, from R13.6m, limited the decline in attributable income to R70.8m from R85.6m.

An increase in the number of shares in issue, however, saw earnings per share fall to 80.1 cents from 130 cents.

The overall dividend was cut to 45 cents from 70 cents per share.

On the steel side, Mr Boyd said the group had faced poor export conditions owing to oversupply, while a weak local economy and destocking by merchants had caused a significant decline in local sales.

Vanadium consumption – Highveld is the world's largest producer – remained weak, and Mr Boyd noted that the Vantra division operated at only 25 per cent of capacity.

Mr Boyd said the R3.5bn Columbus stainless steel project, in which Highveld is a one-third partner, offered "significant" future benefits for Highveld's profits. When completed, it will be the world's sixth-largest producer of stainless steel.

Income falls at Fischer

By Ian Rodger

GEORG FISCHER, the Swiss foundries and engineering group, said consolidated net income in 1992 was "significantly below" the SFr42m ($27.4m) recorded in 1991, reversing a forecast of profit growth made at the interim stage. The group said its results were affected by "serious recession" in the second half, particularly in Germany.

Consolidated sales at SFr2.49bn were slightly below the 1991 level, in spite of a 4 per cent positive effect from exchange rate fluctuations.

The closure of steel foundries at Schaffhausen and Worms, the sale of the steel piping business in the UK and the discontinuation of other activities reduced sales by about 2 per cent.

EVN wins new Austrian power deal

By Ian Rodger

ENERGIE-Versorgung Niederösterreich, one of Austria's largest utilities, has been authorised by the government of Lower Austria to take on electricity distribution in the part of the province surrounding Vienna.

Acquisition of this territory would boost EVN's annual revenues by about 25 per cent to Sch12.5bn ($1.07bn) and significantly reduce its unit distribution costs.

The city of Vienna, which operates Wiener Stadtwerke, a utility which now supplies the area, said it would appeal against the decision, a process which could take up to two years.

EVN has long sought to serve the territory, which is the most densely populated part of Lower Austria. It claims it could provide services at lower cost than Wiener Stadtwerke. "We know that the city of Vienna uses electricity tariffs to subsidise other things," EVN said recently.

Mr Rudolf Gruber, chairman, said he would now invite Wiener Stadtwerke to begin negotiations on the transfer. "I think the decision is very positive and will put us in a very good position if they appeal," Mr Gruber said.

EVN shares gained Sch14 to Sch795 on the Vienna Börse yesterday.

BNP eyes purchase of Spanish bank

By Alice Rawsthorn in Paris and Peter Bruce in Madrid

BANQUE Nationale de Paris, the largest of France's state-controlled banks, is considering plans to expand its Spanish interests by buying Banco de Fomento, a medium-sized retail bank controlled by Banco Central Hispanoamericano.

BNP yesterday confirmed that it had been in contact with BCH and had discussed the possibility of buying Banco de Fomento.

However, it stressed that it was only one of a number of companies to have indicated an interest and that it had not yet made a formal offer for the company.

The French group already has a modest presence in Spanish retail banking through the network of 73 branches it has opened since the early 1980s. BNP's Spanish activities also include interests in investment banking, property finance and leasing.

BCH, Spain's biggest bank in terms of assets, was formed by the merger of Banco Central and Banco Hispanoamericano in 1991. It wants to dispose of associated national and regional banking networks, which duplicate its own spread of branches.

The bank also needs to improve 1993 profits after reporting a 23 per cent fall on pre-tax profits for last year, although that was due in part to new Bank of Spain accounting procedures.

Fomento, which once held the former Banco Central's vast industrial portfolio, has attracted considerable interest from other European banks – notably Deutsche Bank, whose Spanish operation is concentrated mainly in Catalonia – because it is one of the few retail banks available with a national as opposed to a regional network.

It runs 176 offices nationwide and has assets of Pta305bn ($2.6bn). BCH owns 76 per cent of Fomento, which reported net profits of Pta1.87bn for last year after Pta2.29bn in 1991, a fall also explained by new accounting rules.

BNP, a possible candidate for future privatisation, is one of Europe's largest banks.

The bank came under pressure last year due to the competitive state of the French banking market and the Paris property crisis, with first-half net profits falling by 13.4 per cent to FFr1.33bn ($237.5m) on net banking income of FFr19.48bn.

So far, BNP has adopted a more cautious attitude to international expansion than other French banks, notably Crédit Lyonnais, another large state-controlled bank. But it has recently shown signs of a more expansive strategy, such as last year's partnership agreement with Dresdner Bank of Germany.

JCI to hold payout in spite of fall in profits

By Philip Gawith in Johannesburg

JOHANNESBURG Consolidated Investment, the South African mining house, yesterday reported lower half-year profits but, thanks to solid progress by the group's industrial investments, the outturn was better than many analysts had feared.

Attributable earnings for the six months ended December fell by 6 per cent to R155.6m ($49.8m) with income from investments accounting for R136.3m, against R144.7m last time. The contribution from operating subsidiaries fell to R4.8m from R16.8m.

Equity-accounted earnings fell by 7 per cent to R176.5m, or to 119 cents a share from 129 cents. However, the dividend is being maintained at 42 cents a share.

Mr Pat Retief, chairman, said trading had been very difficult with all the commodity markets weakening. Although Mr Retief felt the group had performed reasonably well, he cautioned that earnings during the current half were likely to stay under pressure. Full-year results would be "significantly lower".

Mr Retief said the 50 per cent decline in profit from platinum – the JCI group is the largest producer – had had a "major adverse impact" on results. There had also been a "substantial" decline in income from coal interests, while ferrochrome producer CMI made large losses.

The industrial interests had again contributed more to group earnings than mining. JCI's main interests are in South African Breweries, the food group Premier, newspaper interests and the Toyota motor group.

Mr Retief said the purchase of a 10 per cent stake in Johnson Matthey, the precious metals group, would not have a significant effect on JCI's balance sheet and would not dilute earnings.

Disposals bring Nestlé close to EC compliance

By Guy de Jonquières in London and Ian Rodger in Zurich

NESTLE, the Swiss food group, has found a buyer for most of the mineral water assets which EC competition authorities required it to dispose of after it acquired Groupe Perrier of France last year.

However, the proposed FFr750m ($134m) sale – to Société d'Investissement d'Aquitaine, holding company for the French Castel beverages company – does not fulfil all the conditions which Brussels has insisted on before it approves the Perrier takeover.

The Commission requires Nestlé to sell to a single buyer mineral water springs with a total annual capacity of 3bn litres and several specified brands, including Vichy, Thonon, Pierval and St Yorre. But the deal with SIA covers capacity of less than 3bn litres and excludes the Pierval brand.

Nestlé said yesterday that SIA was not interested in Pierval, and that it doubted whether any other buyer could be found for it. The Swiss company was putting the proposed sale to Brussels, in the hope that it would nonetheless be approved.

The Commission said that it had not yet received details of the proposed sale from Nestlé.

However, a spokesman said that Nestlé's agreement to meet the conditions specified last year amounted to a commitment.

Until Nestlé disposes of the Perrier assets to a new owner approved by Brussels, the Swiss company may not complete the sale of Volvic, another large Perrier brand, to BSN, France's largest food manufacturer.

The Swiss company is counting on the proceeds of the Volvic deal to cover part of the FFr13.4bn it paid to acquire Perrier after a hard-fought takeover battle in which it was supported by Mr Antoine Riboud, BSN chairman.

Nestlé had apparently hoped that the Volvic sale would defuse objections from EC competition authorities. However, Brussels judged that Nestlé and BSN would together enjoy a duopoly of the French mineral water market and ordered disposal of some of Perrier's assets to reduce the Swiss company's dominance.

The assets which SIA has agreed to buy had sales of more than FFr620m in 1991. The Castel group has annual revenues of FFr5.6bn.

As part of its agreement with SIA, Nestlé will buy out minority shareholders in Compagnie Fermière de Vichy, developer of a spa and hotel project partly financed by income from Vichy mineral water sales.

Investment plan approved

By Emiko Terazono in Tokyo

JAPAN'S ministry of finance yesterday approved brokers' plans to launch a new cumulative stock investment scheme for retail investors next month.

Nomura, Daiwa, Nikko, Yamaichi Securities and three second-tier brokers will offer a scheme that allows individuals to invest a minimum Y10,000 ($80) in a specific stock.

Currently, stocks can only be bought in units of 100 to 1,000 shares, and most retail clients use investment trust funds. Under the new scheme, investors will pay brokers between one and three instalments a month to invest in one issue. The brokers will pool these funds to buy specific stocks, paying the dividends according to the investors' amounts of cumulative investment.

Blackstone may acquire Univa in C$1bn venture

By Robert Gibbens in Montreal

BLACKSTONE, the New York-based investment group, is in talks to buy Univa, Canada's second largest food distributor, in a deal worth just over C$1bn (US$793m).

Univa, with annual sales of C$6.5bn, is a wholesale and retail food distributor with subsidiaries across Canada and in California, and is second to the Toronto-based Loblaw.

In the nine months to October 31 Univa's net profits were C$29.4m, or 34 cents a share, on sales of C$5.1bn. The figures reflected vicious competition, particularly in eastern Canada.

Mr Bertin Nadeau, who for the past 11 years has controlled 26 per cent of Univa through a holding company, Unigesco, plans a joint venture with Blackstone to offer C$11 a share cash for all Univa's 94m common shares outstanding on a fully diluted basis. This would be about 45 per cent above the average Univa market price over the past three weeks. Thus the value of the bid is C$1.03bn.

Univa's next biggest shareholder is the Sobey family of Halifax, Nova Scotia, with 25 per cent. The family usually votes with Mr Nadeau. The Caisse de Depôt, the Quebec Pension Plan's investment arm, holds about 12 per cent including conversion rights.

If the deal goes through the joint venture is structured so that Univa would be owned 80 per cent by Blackstone and undisclosed private international investors and 20 per cent by Unigesco.

Mr Stephen Schwarzman, president of Blackstone, said his investment group would sell its Univa shares over a three to seven-year period via public offerings and Unigesco would buy back control of Univa. After seven years the joint venture would be dissolved.

He said Univa management would continue unchanged and Univa would get full financial backing for a three-year C$230m modernisation programme in the highly competitive eastern Canada market.

Unigesco, which owns a hardware retailing group and food service units, would sell its 26 per cent of Univa into the joint venture for C$246m, which would be used to reduce its heavy debt.

Blackstone will provide C$375m for the bid, with the balance borrowed partly from Canadian and US banks.

Univa will set up a committee of independent directors to evaluate the bid and report to shareholders.

Analysts said the bid appears favourable in relation to Univa's market price of C$8 a share at Tuesday night's close. The 52-week low is C$6.50 and high C$13. The price reflects low food distribution margins caused by discounters.

Sharp fall in Kaiser earnings

By Laurie Morse in Chicago

KAISER Aluminum, the Texas-based aluminium processor yesterday reported fourth-quarter earnings of $2.6m, or 5 cents a share, down from $27.1m, or 47 cents, in the year earlier period.

For the year, this brought earnings to $27.9m, or 47 cents a share, down from $108.4m, or $2.03. The sharp drop in earnings resulted from depressed prices for alumina, primary aluminium and fabricated products, the company said.

Fourth-quarter results include a pre-tax charge of $29m for the write-down of inventory. Kaiser said the company was able to remain marginally profitable in the fourth quarter, despite aluminium industry overcapacity, because of cost-cutting and shipments of value-added products.

Fourth-quarter sales were $496m, up from $471.3m, and full-year 1992 sales totalled $1.9bn, down from $2.0bn.

● Maxxam, the US natural resources group that owns 87.2 per cent of Kaiser Aluminum, yesterday reported a net loss for the fourth quarter and year. Its forest products operation showed a profit for the quarter and the year, but its property activities which recorded a loss and Kaiser's earnings slump limited Maxxam's profitability.

The group's fourth-quarter net loss came to $10.3m, or $1.09 a share, compared with profits of $9.8m, or $1.04m, a year earlier. Sales for the fourth quarter rose to $576.4m from $535.7m. For the year, the company incurred a net loss of $7.3m, or 77 cents a share, against a profit of $57.5m, or $6.06, in 1991. Sales for the year were little changed at $2.2bn.

Air Canada postpones BWIA stake talks

By Canute James in Kingston

AIR Canada has suspended talks with Trinidad and Tobago Airways to acquire a stake in the Caribbean operator of the BWIA International airline. The move leaves the state-owned Trinidadian company continuing its two-year search for a partnership with an international carrier.

The negotiations with Air Canada followed the failure of talks with other airlines, including British Airways and Delta Airlines, to buy into BWIA.

Government officials said Air Canada's decision had nothing to do with BWIA's financial performance, but because Air Canada's management resources were too thin.

BWIA had a net loss of US$15.6m last year, following a loss of $24.2m in 1991.

Setback for GM over assembly plant ruling

By Martin Dickson in New York

GENERAL Motors, the US car group, yesterday suffered an unusual setback in its efforts to slash its North American production costs when a Michigan court ordered it to keep open an assembly plant scheduled for closure.

The plant involved is Willow Run, at Ypsilanti, west of Detroit. GM announced a year ago that the works would be shut in 1993 and its output consolidated at a plant in Arlington, Texas.

Yesterday, however, a Michigan circuit court judge enjoined GM from moving production of its Caprice station wagon from Ypsilanti to Arlington.

The judge supported a challenge by Ypsilanti Township, which argued GM had violated provisions of tax breaks given in the 1980s in the hope of keeping the plant open.

Mr Lee Schutzman, an attorney for GM, said the ruling was unprecedented and the company would appeal. GM has already started transferring workers from the plant to Arlington.

When the judge's ruling was announced, members of the United Auto Workers union filled the court room with cheers.

The UAW has reacted particularly bitterly to the closing of Ypsilanti and accused GM of "whip-sawing" - playing the Michigan and Texas plants off against one another in the hope of extracting maximum concessions from the union.

Mr Doug Winters, an attorney for the township, said: "GM for years has asked for a level playing field in terms of global competition, and all we ever asked for was a level playing field to present our case. Fortunately, we had a judge with enough courage to give us that."

The closure is part of GM's plan to shut 21 assembly and parts plants by the mid-1990s in an attempt to return its loss-making North American operations to profit.

Goodyear net income slips to $88m

By Karen Zagor in New York

GOODYEAR Tire & Rubber, the only surviving US-owned tyre company, yesterday recorded underlying fourth-quarter earnings of $402.8m, or $1.43 a share, excluding extraordinary items and the cumulative effect of accounting changes. This compares with $99.3m, or $1.55, a year earlier, when the company had fewer shares outstanding.

Including one-time items, Goodyear's net income stood at $87.5m, or $1.22, in the fourth quarter against $105.1m, or $1.65, last year. Sales rose 5 per cent to $2.93bn from $2.78bn.

The results were in line with Goodyear's earlier fourth-quarter predictions and its shares eased $⅞ to $71¾ at midday trading in New York.

During 1992, Goodyear took a one-time net charge of $1.01bn on the adoption of two non-cash accounting changes. As a result, Goodyear posted a net loss of $658.6m, or $9.22 a share, in 1992 compared with net income of $96.6m, or $1.61.

Stripping out the charges and other one-time items, Goodyear earned $367.3m, or $5.14, in the year compared with $74.5m, or $1.34, in 1991. Sales advanced 8 per cent to $11.78bn from $10.91bn.

Mr Stanley Gault, chairman, said: "We are extremely pleased with our sales performance and higher operating results in a difficult global economy."

During the fourth quarter, Goodyear had gains of $75.9m from the sale of its polyester resin assets which was partly offset by charges of $39.6m for workforce restructuring and charges of $15.8m for the planned sale of its roofing business and other items.

Goodyear's debt stood at $1.9bn at the end of 1992, compared with $2.6bn at the end of 1991 and $3.7bn in mid-1991. As a result, the company's interest expense fell to $232.9m at the end of the year from $217.8m a year earlier.

Selling, administrative and general expenses rose to $8.97bn at the year end from $8.41bn a year earlier, reflecting higher advertising spending.

Goodyear's tyre sales rose 6 per cent in the fourth quarter to $2.4bn, but operating income dropped 39 per cent to $125.9m, reflecting increased charges.

The company's beleaguered oil transportation segment had operating income of $347,000 in the fourth quarter compared with a loss of $5.4m a year earlier.

Whirlpool surprises with 55% rise

By Karen Zagor

WHIRLPOOL, the world'a biggest maker of large domestic appliances, yesterday posted an unexpectedly strong 55 per cent improvement in fourth-quarter net profits to $62m, or 87 cents a share, from $40m, or 58 cents, in 1991.

The company, which now fully-owns the former Philips appliance business in Europe, saw revenoes rise 8 per cent to $1.84bn from $1.71bn.

Whirlpool's earnings before taxes and other items were 39 per cent higher at $104m against $75m.

Shares in Whirlpool climbed $2⅜ to $51⅛, a 52-week high, in midday NYSE trading.

For the full year, Whirlpool net income rose 20 per cent to $205m, or $2.90, on revenues which grew 8 per cent to $7.3bn. In 1991, the company earned $170m, or $2.45, on revenues of $6.76bn.

Mr David Whitwam, chairman and chief executive, said all three of the company's regional home-appliance segments had a record year in 1992. In North America, revenues, operating margin and earnings increased significantly, helped by a 7 per cent rise in industry-wide shipments in the region. Industry shipments are expected to rise another 3 to 4 per cent this year.

In Europe, Whirlpool said its shipments improved in spite of industry trends towards lower shipments. "What's encouraging is that we anticipate even greater cost efficiencies from steps we took during 1992 to restructure Whirlpool Europe to take advantage of the emerging European singla market," Mr Whitwam said.

Whirlpool's overseas division, which covers Latin America and Asia, posted profits in Latin America in spite of an equity loss of 14 cents a share in Brazil, against earnings of 4 cents a share in 1991. The company realised a small equity profit in the second half of 1992 from its Brazilian affiliates through cuts in operating costs and a rise in market share.

US brewer up to $162m in last period

ANHEUSER-BUSCH, the largest US brewer, lifted fourth-quarter net profits to $161.6m, or 58 cents a share, from $159.2m, or 55 cents, on sales of $2.73bn against $2.67bn, agencies report from St Louis.

Full-year net profits slipped to $917.5m, or $3.22 a share, from $939.8m, or $3.26, after a $76.7m charge for changes in accounting practices.

The group expects to report first-quarter 1993 beer sales volume slightly below first-quarter 1992. This was due to the phase-in of production at its new Cartersville, Georgia, brewery beginning in the spring.

The beer maker said it usually builds inventories at the wholesaler level in the first half of each year to meet peak consumer demand during the summer.

Availability of the extra capacity at Cartersville would reduce shipping requirements during the first two quarters of 1993.

While first-quarter sales volume was expected to slip, volume in the second half of 1993 would be substantially higher than the second half of 1992, providing full-year volume growth of 1 to 2 per cent.

For the first quarter of 1993, Anheuser-Busch expects sales to retailers, which are regarded as better iodicators of underlying consumer demand, to increase more than 1 per cent.

Volksbank hit by bad loan provisions

By Ian Rodger in Zurich

SWISS VOLKSBANK, the object of an agreed SFr1.6bn ($1bn) takeover bid from the parent company of rival Credit Suisse, has reported a loss of SFr68m in 1992 compared with a SFr68m net profit in 1991 because of nearly doubled provisions for bad loans.

The actual loss was much higher, but was softened by the release of the remaining SFr292m in hidden reserves. The directors have recommended that the dividend be passed.

Volksbank said CS Holding had completed its examination of the bank and confirmed its takeover offer, on the basis of three registered shares of CS for 10 Volksbank registered shares.

Volksbank will seek the approval of its shareholders on March 11 to transform itself from a co-operative into a joint stock company, converting each of its co-operative shares into 10 registered shares.

Mr Werner Sigg, a director of Volksbank, said the rationalisation plan agreed between the two banks called for the elimination of between 100 and 150 of their combined 400 branches in Switzerland and the loss of 2,000 jobs. While the two would maintain separate identities in Switzerland, the Volksbank international network would be folded into that of CS.

Mr Sigg said the resulting savings would be of the order of SFr250m a year by 1995, roughly 8.5 per cent of the operating costs of the two banks in 1991.

Mr Erwin Sigrist, executive vice-president of Volksbank, said the large growth in loan loss provisions last year from SFr394m to SFr720m was due mainly to the negative impact of the recession in Switzerland on small and medium-sized businesses.

At December 31, 1992, the bank had total assets of SFr46.1bn compared with SFr46.5bn a year earlier.

Capital was unchanged at SFr2.2bn.

News Corp lifts dividend 20% as earnings surge

By Bruce Jacques in Sydney

NEWS Corporation, the international media group controlled by Mr Rupert Murdoch, has announced a 20 per cent increase in its dividend following continued earnings resurgence for the six months ended December 1992.

Net earnings before abnormals almost doubled, to A$490.1m (US$328.7m) from A$252.2m on turnover little changed at A$5.33bn, against A$5.27bn in the same six months a year earlier.

News Corp also plans a three-for-one bonus issue and has declared a 1.5 cent a share interim dividend, payable on the bonus shares. That represents a 20 per cent increase on the 5 cents a share interim paid on pre-bonus capital last year.

Central to the profits performance was a 22 per cent reduction in interest expenses to A$387.4m and a A$155.8m turnround to a surplus in the contribution from equity investments.

Equity-accounted investments – principally British Sky Broadcasting, the UK satellite television venture; Ansett, the Australian airline; and Pacific Magazines and Printing – turned a A$62.7m loss into a A$93.1m profit.

News Corp earned higher profits from its newspaper, magazine and inserts and television businesses, but contributions from both film and book publishing operations were weaker.

Newspapers remained the largest contributor, with operating income rising 21.7 per cent to A$349.1m.

Magazines and inserts lifted income from A$170.7m to A$208.4m, while television rose 29.6 per cent from A$124.4m to A$161.2m.

However, income from films more than halved from A$67.7m to A$33.3m and book publishing was down 27.5 per cent at A$113.6m.

On a geographic basis, the US remainad the company'a biggest earnings centre, lifting operating income 4.4 per cent to A$492.7m. News said profits from Fox Broadcasting and Fox Television rose almost 20 per cent, but earnings at Twentieth Century Fox fell 55 per cent.

In the UK, operating income rose by 19.1 per cent from $A471.8m to A$207.2m following newspaper cost reductions and circulation increases. Weekly revenues of BSkyB's 50 per cent-owned satellite company were up by 79 per cent.

Operating income from Australia and the Pacific Basin region fell by 16.8 per cent to A$167.5m, but operating profits rose 15 per cent at the Hong Kong-based South China Morning Post and 28 per cent in Australian metropolitan newspapers.

The group'a six-month net earnings are arrived at after tax of A$53.5m (against A$12.5m) and depreciation of A$115.1m (A$115.2m). Tbis excluded an abnormal loss of A$37.3m ($103.1m profit).

Cash crunch threatens to clip Ansett's wings

The airline's financial position remains parlous, writes Kevin Brown

IS time running out for Ansett, the Australian airline jointly owned by Mr Rupert Murdoch's News Corporation and TNT, the transport conglomerate?

Nobody disputes that Ansett's star has fallen a long way over the past three years, beginning with a year-long pilots' strike in 1989-90 which disrupted schedules and scared away passengers.

A few months after the strike ended, domestic aviation was deregulated, triggering a three-way fares battle between Ansett, government-owned Australian Airlines and Compass, an independent carrier which collapsed under the competitive pressure but has since been relaunched.

At the same time, Ansett was trying to cope with a two-year recession which furthar depressed fares and trading margins, leading to net losses of A$336m (US$225.3m)in the two years to last June.

When the airline was making big profits – it reported net earnings of A$184m in 1987-88 – its critics used to say that it was being given an easy ride by the government, which allowed only Ansett and Australian Airlines to offer national services.

That era ended with deregulation. But the government twisted the sword last year when it suddenly decided, contrary to earlier undertakings, to merge Australian Airlines with Qantas, and to sell both to the private sector.

Thc privatisation process, which began in December with the sale of 25 per cent of the merged airline to British Airways, is expected to be completed later this year with a public float of the remaining capital. But the damage to Ansett is already clear.

Not only does the airline's main competitor now have a strong parent and reduced debt, it will also increase its market share at Ansett's expense through hooking arrangements witb BA and Qantas, which account for more than 45 per cent of inbound passengers. Both Qantas and BA formerly had alliances with Ansett.

In addition, Ansett faces further encroachment on its domestic market share by Air New Zealand, following an inter-governmental agreement last year on the creation of a single aviation market in Australia and New Zealand. Air NZ is already flying from Brisbane to Thailand and Taiwan, and may begin Australian domestic flights later this year.

News Corp and TNT heve remained supportive of Ansett, even though both have faced serious problems of their own. However, Mr Murdocb has said that News Corp's 50 per cent stake is for sale if a buyer can be found.

Ansett will need fresh equity if it is to capitalise on opportunities

Mr David Mortimer, who last year replaced the long-serving Sir Peter Abeles as TNT managing director, is preoccupied with the group's struggle against recession. But he has also made clear that part of TNT's stake is for sale.

Ansett has a well-equipped fleet of modern aircraft, and about 55 per cent of the domestic market – including associated regional airlines. It has also applied for rights to compete with Qantas on international routes. Permission to fly to Malaysia and Indonesia has already been granted, and applications for flights to Japan and other Asian countries are being considered.

So far, however, the search for fresh equity has failed. Singapore International Airlines (SIA), which bid unsuccessfully for a minority stake in Qantas, has said publicly it was not interested, and so has Cathay Pacific, the Hong Kong-based carrier.

Ansett is still talking to SIA, Malaysian Airlines and Air NZ, which was also an early bidder for a stake in Qantas. Air NZ is viewed by many analysts as the most likely partner because an alliance would increase its access to international routes commencing in Australia.

However, an investment in Ansett by Air NZ would be frowned upon by Qantas, which holds a 19.9 per cent stake in the NZ airline. The NZ commerce commission might also seek to block such an alliance because of concerns that it could lessen competition in New Zealand, where Ansett is the only domestic competitor to Air NZ.

Ansett has been trying hard to get back on an even keel. It has signed marketing agreements with a raft of foreign airlines, including Lufthansa of Germany, Cathay Pacific, All Nippon Airways of Japan, United Airlines of the US and Alitalia of Italy.

Mr Ken Cowley, the News Corp director who took over as chairman of Ansett last year, has begun raising cash and cutting costs by selling non-core assets and merging regional carriers with the main airline.

Ansett earned operating profits of A$6.5m in the three months ended September, and is believed to have improved on that in the following quarter. But the airline's financial position remains parlous.

It faces repayments of A$240m this year on total net debt of A$2.28bn, and has only about A$70m in the form of cash and unused loan facilities. Analysts say it will need a cash injection of at least A$150m to meet the bills.

Executives say too much attention is being paid to the potential cash crunch. If necessary, they say, the money will be provided by the airline's parents – mainly News Corp. However, even if Mr Murdoch bails out Ansett in the short term, the airline will still need fresh equity if it is to capitalise on international opportunities and avoid being left behind by Qantas in the medium term.

Ansett's rights to international routes cost virtually nothing to acquire, but will be expensive to take up. Some of the airline's Boeing 767 aircraft could be diverted from domestic services to the shorter international routes, but analysts say it is hard to see how Ansett could finance the acquisition of bigger aircraft for the Japanese routes.

"The future looks very difficult for them," says Mr Julian Mulcahy, aviation analyst at ANZ McCaughan. "The airline was profitable in the first half, and that may give them some help in dealing with their backers, but they do need an equity injection in the next 12 months. If they don't get it, who knows what will happen?"

Sell-off plans feature in Australian election

By Bruce Jacques

AUSTRALIA'S federal election campaign yesterday produced variations in plans to privatise two of the country's biggest government-controlled companies, the Commonwealth Bank and Qantas.

Mr Paul Keating, the Australian prime minister, announced plans to float a further 19 per cent of the Commonwealth Bank, which is due to release interim results today.

But the planned float of the government's 75 per cent interest in Qantas, the Australian international airline, originally scheduled for June, is now unlikely to take place before October.

Mr Keating said he hoped to raise more than A$1bn (US$670m) from the flotation of 19 per cent of Commonwealth Bank in 1994-95.

This would leave the bank majority government-owned, as A$1.3bn was raised in 1991 through a 30 per cent float.

The government is hoping to raise about A$2bn through the Qantas float, following the recent sale of 25 per cent of the airline to British Airways for A$665m.

The minister for finance, Mr Ralph Willis, said the delay in the Qantas float would also allow the airline to obtain an independent credit rating before severing its links with the government.

Net income up 21% at Saudi American Bank

By Mark Nicholson in Cairo

SAUDI American Bank (Samba), the Saudi Arabian joint-venture bank, has reported a 21 per cent rise in net income for 1992 to SR910m ($242.45m).

The bank, which is 30 per cent owned by Citicorp of the US, said that profits were led by a 15 per cent rise in earnings to SR193m, which it said marked earnings growth in all sectors.

A gross dividend of SR682.7m, or a net SR55 a share, is to be paid.

Assets rose 5 per cent to SR38.2bn, with the bank's loan portfolio up 21 per cent at SR11.6bn, almost all from domestic business.

Customer deposits rose 2 per cent to SR28.3bn. Samba added SR34m to loan loss reserves.

● Public Bank, the third largest commercial banking group in Malaysia, has staged a 33 per cent increase in pre-tax profits to M$219m (US$83.3m) for 1992 and is stepping up its dividend, AP-DJ reports from Kuala Lumpur.

The bank said that its performance was bolstered by strong growth in lending and deposits. The dividend is lifted from 4.25 cents a share to 5 cents, an increase of 18 per cent. Earnings per share rose by 25 per cent to 11.4 cents.

● Development & Commercial Bank, the Malaysian banking and financial services group, reported a 34 per cent gain in pre-tax profit to M$157m for 1992.

INTERNATIONAL CAPITAL MARKETS

Gilts suffer jitters on fears of rising UK inflation

By Sara Webb in London and Patrick Harverson in New York

INFLATION worries depressed the UK government bond market and pushed gilt prices down by as much as half a point, but the market later recovered most of the losses as investors bought on weakness.

The release of worse-than-expected producer input prices for January heightened fears of

GOVERNMENT BONDS

rising inflation. Input prices for manufacturing jumped 1.5 per cent in January – giving a year-on-year rise of 7.2 per cent – whereas the market had expected to see a 8.5 per cent rise on the month.

The news helped to push the March Liffe gilt futures contract down from its opening level of 101.08 to a low of 100.27, but the futures contract later recovered to reach 101.05 by late afternoon. In the cash market, prices were depressed across the curve, but picked up as investors bought on weakness.

■ BELGIAN government bonds were marked down around a point, with dealers pointing to the recent easing of the Belgian franc against the D-Mark and concern about the country's heavy borrowing requirement.

The Belgian franc came under pressure last week before the German Bundesbank cut its key interest rates. "The recent easing of tensions within the ERM and return of confidence to the French franc has killed off interest in the Belgian bond market," said one dealer. "Belgium was seen before as one of the hard core currencies in the D-Mark bloc, but now yields on French and Belgian 10-year paper are the same," he added.

Elsewhere in Europe, German government bonds edged up slightly, with the Liffe bund futures contract rising from its opening level of 93.12 to trade at 93.23 by late afternoon.

■ JAPANESE government bonds continued to rally strongly, helped by the combination of a sharp rise in the yen against the dollar, stock market weakness and another round of bond-buying by the finance ministry.

The yen strengthened from Y124.35 to the dollar, to Y121.75 yesterday spurred by market talk that Japan's trade partners were stepping up pressure for a stronger yen. The Nikkei index fell below the psychologically important 17,000 level, but ended the day 259.46 lower at 17,022.27.

The yield on the benchmark No 145 opened at 4.29 per cent, corresponding to the low price of the day, and moved to 4.23 per cent before ending at 4.245 per cent. The June futures contract, which took over as the new benchmark yesterday, rose from 109.14 to a high of 109.54 before closing at 109.50.

■ THE AUSTRALIAN government bond market closed firmer as prime minister Mr Paul Keating yesterday unveiled proposals to cut corporate tax in an attempt to spur investment and employment growth. Mr Keating promised that a re-elected Labour government would cut the company tax rate to 33 per cent from 39 per cent, and would give an immediate 18 per cent taxation allowance for business investment.

In addition, he announced that the government now expects a budget deficit of A$15.9bn in the year ending June 30, against an original targeted deficit of A$13.39bn. Most of the difference will be funded through extra bond sales. Bond prices edged up as the market had already discounted the financial package and participants covered short positions.

■ US Treasury prices eased sligbtly acrosa the maturity range yesterday morning as dealers and investors prepared for the afternoon auction of $15.5bn in three-year notes.

By midday the benchmark 30-year government bond was down ⅛ at 105¾, yielding 7.196 per cent. At the short end of the market, the two-year note was also slightly weaker, trading down 1/16 at 100 1/32, to yield 4.183 per cent.

In the absence of important ecooomic data, all eyes were on this week's note and bond auctions. Given the recent strength in Treasuries' prices, market participants were reluctant to bid up prices ahead of the first tranche of the refunding programme for fear of scaring away potential retail buyers of the new issue.

Once the three-year sale is completed, the market still has to conteod with auctions of $10.75bn in 10-year ootes and $9.25bn in 30-year bonds.

FT FIXED INTEREST INDICES

	Feb 9	Feb 8	Feb 5	Feb 4	Feb 3	Year ago	High*	Low*
Govt Secs(UK)	95.03	95.34	95.37	95.41	95.26	88.29	95.54	85.11
Fixed Interest	110.83	110.82	110.98	110.98	110.87	100.93	110.98	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928. * for 1992/93. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 110.98 (4/2/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Feb 8	Feb 5	Feb 4	Feb 3	Feb 2
Gilt Edged Bargains	182.3	147.0	167.1	167.9	205.7
5-Day average	168.8	169.1	173.4	188.5	188.0

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA	10.000	10/02	107.9584	-	8.76	8.82	8.97
BELGIUM	8.750	06/02	105.1500	-1.150	7.80	7.56	7.31
CANADA *	7.250	06/03	95.7500	-	7.86	7.84	8.02
DENMARK	8.000	05/03	95.0500	-0.075	8.76	8.93	8.86
FRANCE BTAN	8.500	03/97	102.2572	-0.589	7.70	7.91	7.91
OAT	8.500	11/02	104.8100	-0.370	7.80	7.88	8.03
GERMANY	6.000	07/02	100.3000	+0.080	7.00	7.10	7.14
ITALY	12.000	05/02	98.9550	-0.310	12.97†	13.22	13.06
JAPAN No 119	4.800	06/99	103.6726	+0.261	4.03	4.14	4.36
No 145	5.500	03/02	103.2800	+0.424	4.24	4.30	4.48
NETHERLANDS	8.250	09/02	106.8300	+0.140	6.98	7.00	7.15
SPAIN	10.300	06/02	93.5500	-1.025	11.43	11.71	12.46
UK GILTS	10.000	11/96	111-00	-9/32	8.64	8.63	7.24
	9.750	08/02	110-29	-7/32	8.67	8.63	8.41
	9.000	10/08	103-13	-13/32	8.59	8.52	8.78
US TREASURY *	6.375	08/02	99-28	-12/32	6.39	6.40	6.73
	7.625	11/22	105-03	-14/32	7.20	7.25	7.46
ECU (French Govt)	8.500	03/02	102.7250	-0.025	8.07	8.17	8.42

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Globex system gains approval for Japan trade

By Laurie Morse in Chicago

GLOBEX, the Chicago-based electronic derivatives trading system, has received formal approval to begin trading in Japan. This will help the system fulfil its initial objective to be a round-the-clock vehicle for futures trading.

The lack of terminals in Japan has hampered Globex since its launch last summer, according to Mr Leo Melamed, chairman. The system was designed to allow traders to pass their derivatives "book" around the globe, around the clock.

Japan's absence interrupted the flow of that trading, leaving a gap in the Asian time zone, Mr Melamed said. Globex volume has been averaging just 3,000 contracts a day and negotiations to add non-US futures exchanges to the system have lagged.

Globex is jointly owned by the Chicago Mercantile Exchange, the Chicago Board of Trade and Reuters Holdings. So far about 80 per cent of the around 200 active Globex terminals are installed in the US, with the remainder in London and Paris.

Globex officials said 28 terminals will be installed in the offices of CME and CBOT member firms in Tokyo, and that trading on those terminals should begin soon. They said additional terminals would be activated in Hong Kong during March, and in Geneva later this spring.

● Notional principal amount of foreign currency and interest rate swaps exceeded $1,478bn in the six months ended June, 1992, up 44 per cent, according to the International Swap Dealers Association. However, despite the overall gain, foreign currency swap volume declined. Interest rate swaps accounted for $1,320bn (up 51 per cent) and currency swaps $156bn (down 7 per cent), ISDA said.

Eurodollar sector attracts most activity on quiet day

By Antonia Sharpe

THE Enrodollar sector attracted most of the activity *in a quiet day for new issues* yesterday, as syndicate managers kept their vigil for a widely-expected dollar deal from Denmark.

Separately, the World Bank confirmed market talk of an imminent global yen bond issue, which it plans to launch in late February. The underwriting group will be led by IBJ International, Morgan Stanley and Nikko Securities. Syndicate managers said the World Bank's third global bond offering in yen was likely to raise Y200bn and to have a maturity of between seven to 10 years.

There were reports that the Danish deal was still waiting for ministerial approval but syndicate managers hoped that it would be launched by the end of the week. One syndicate

INTERNATIONAL BONDS

manager said that any further delay would result in less favourable terms for Denmark, since the US Treasury's quarterly refunding auctions this week were likely to temper investor demand.

Among yesterday's Eurodollar deals, the $300m seven-year offering from Sandoz Overseas Finance arranged by CSFB was said to be the most successful. Although the Swiss chemicals company has no rating and the maturity of the bond exceeded the current preference among Swiss investors for maturities of five years or less, the deal went in "two minutes," according to one manager involved in the deal, reflecting the company's good *name in the market. The bond* was priced at 38 basis points above comparable US Treasuries, and after the syndicate was broken, the spread tightened to less than 35 points.

By contrast, distribution of the $200m 10-year bond for Norddeutsche Landesbank was "slow," according to an official at the lead manager, Salomon Brothers International.

Several convertible issues in various currencies were launched yesterday. Sun Alliance, the composite insurer, was the second UK company in *less than* a week to bring a sterling subordinated Euroconvertible issue. On February 2, Northern Foods, the dairy and convenience food company, raised £91.28m through a similar issue, also arranged by NM *Rothschild.*

As with Northern Foods, demand among investors for high-yielding instruments enabled Sun Alliance to increase the size of its issue to £155m from £140m. The issue has a 15-year maturity but may be redeemed after five years.

The semi-annual coupon was set at 7¼ per cent, at the lower end of the indicated range of 7¼-7½ per cent, and the conversion price at 390p represented a *premium of 15.38* per cent over the ordinary share price at the time of pricing, at the high end of the indicated range of 14-16 per cent.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Sandoz Overseas Finance	300	8.375	101.295	Mar.2000	1.875/1.675	CSFB
Norddeutsche Landesbank	200	6.875	101.833	Mar.2003	2/1.875	Salomon Brothers Int.
Mitsui Construction Co.(a)‡	200	(a)	100	Feb.1997	0.3/0.2	Nomura International
Banco de Galicia(b)‡	50	(b)	100	Mar.1996	1.25/0.75	Swiss Bank Corp
YEN						
Riso Kagaku Corp.(c,d)§	10bn	2.5	100	Mar.1998	2.5/1.5	Nikko Europe
FRENCH FRANCS						
SNCF(e)	3bn	7.75	98.07	Mar.2002	0.325/0.2	Crédit Lyonnais
STERLING						
Sun Alliance Group(c,f)§	*155*	*7.25*	*100*	*Nov.2008*	*2.5/1.5*	*NM Rothschild & Sons*
AUSTRALIAN DOLLARS						
Société Générale(g)	25	8.25	101.375	Mar.1997	1.75/1.125	Hambros Bank
DANISH KRONER						
Finance for Danish Industry	300	9.875	102	Mar.1997	1.625/1.125	Den Danske Bank
SWISS FRANCS						
Toyo Construction(h,i)*♦	100	1.5	100	Feb.1997	-	Credit Suisse
Daewoo Corp.(j)§	75	3.25	100	Dec.1997	-	Swiss Bank Corp
Nishikawa Rubber Co.(h)*♦	55	2.625	100	Feb.2000	-	Banca del Gottardo

Final terms and non-callable unless stated. *Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. a) Coupon pays 6-month Libor + 0.35%. b) Coupon pays 6-month Libor + 4%; minimum 9.5%. c) Semi-annual coupon. d) Callable from 31/3/94 at 102% declining by 0.25% semi-annually. e) Package includes warrants to the SNCF 8.875% 2023 bond. f) Conversion price: 390p. Non-callable until 1998. g) Issue launched on 15/1/93 has been increased to A$100m. h) Final terms fixed on 15/2/93. i) Callable on 25/2/95 at 101% declining by 0.5% annually. j) Final terms fixed on 11/2/93. Callable and puttable on 31/12/95 at 109%.

Investors seek advice in United Newspapers row

By Tracy Corrigan

A ROW has erupted over the treatment of investors in a United Newspapers issue of convertible preference shares. Some investors, who lost *payment* of the annual dividend on the shares, are currently taking legal advice on the matter.

The £105m issue, which was exchangeable into ordinary shares in Reuters Holdings, was called for early redemption by the issuer last December. The decision to call the issue forced investors still holding the preference shares to convert into Reuters shares. By doing so, they forfeited payment of the fixed 9 per cent dividend due on the preference shares, but, because of the timing, they also missed receiving payment of the Reuters share dividend.

There are just seven days each year when the issuer can take advantage of the documentation to redeem the bonds without paying the dividend. Investors claim that this is a loophole which has saved United Newspapers an estimated £8.1m in dividend payments at their expense.

"We believe that this sort of action is bad market practice, misleading investors who do not read the small print," said one investor in the issue.

However, an official at United Newspapers said that the company had taken every care to follow correct procedure. "Before we called the issue, we made sure we understood the the terms of the issue required, and then followed the terms of the issue precisely," he said.

There is similar wording on an £80m Smith & Nephew issue of convertible preference shares due 2004. Officials at Smith & Nephew declined to comment on the issue.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7.05 pm on February 9

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	106¼	106¾		4.62	ARBED 7 1/2 95 LFr	600	97¾	98¾	+¼	8.47
ALBERTA PROVINCE 9 3/8 95	600	110⅛	110⅜	-⅛	5.16	ECSC 7 3/4 94 LFr	1000	99⅞	100⅜	+¼	7.89
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS / SWISS FRANC STRAIGHTS / YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	FLOATING RATE NOTES / CONVERTIBLE BONDS	Issued	Bid	Offer	C.cpn / Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price. † Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	13	60	5
Other Fixed Interest	4	8	3
Commercial, Industrial	207	474	740
Financial & Property	119	241	435
Oil & Gas	30	14	41
Plantations	0	3	6
Mines	49	19	72
Others	64	18	28
Totals	486	837	1,328

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Am't Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price £	+or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible] ... z Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. q Earnings based on preliminary figures. s Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings Feb 8
- Last Dealings Feb 18
- Last Declarations May 20
- For settlement June 1

3-month call rate indications are shown in Saturday editions.

Calls in: Anglo Pacific, Avesco, Cannon St., Caverdale, Cullens, Enterprise Computer, Fenner, Ibstock Johnsen, Kalon, Ladbroke, LEP, Lilleshall, London Fin. & Inv., Newman Tonks, P & P Premier Cons., Starmin and Tadpole Tech. Put in: Rhino. Puts & Calls: Bridon, Domino, Termac and WPP.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Alld Lyons (*589)	550	52	63	72	8½	22	27
	600	23	35	46	30	47	53
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trafalgar (*86)	80	12	15	18	5	8½	12
	90	7	11	14	10	16	18
Utd. Biscuits (*362)	360	16	24	30	22	28	32
	390	6	12	18	45	48	52
Unilever (*1147)	1100	70	88	108	20	32	41
	1150	56	62	80	42	54	63

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Brit. Aero (*260)	240	26	41	52	6	2b	31½
	260	14	30	44	17	34	45
BAA (*770)	750	30	53	64	5½	20	34
	800	6	27	39	32	45	57
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barclays (*421)	420	20	29	38	27	35	45
	460	7	15	23	58	63	72
Blue Circle (*219)	200	24	32	37	5½	15	21
	220	14	21	27	14	26	32
British Gas (*283)	280	13	17	22	7	16	20
	300	4½	8	14	19	29	32
Dixons (*216)	200	24	32	38	6	12	17
	220	15	21	29	14	19	28
Eurotunnel (*460)	460	31	52	67	27	35	45
	500	15	33	48	47	56	67

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Glaxo (*651)	650	29	55	74	30	49	58
	700	13	34	52	65	78	89
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE INDEX (*2831) / FT-SE INDEX (*2831): [illegible]

February 9 Total Contracts 35,247
Calls 18,776 Puts 16,471
FT-SE Index Calls 5,340 Puts 5,952
Euro FT-SE Calls 1,073 Puts 1,710
*Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Tue Feb 9	Day's change %	Mon Feb 8	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (23)	128.89	-0.13	129.06	1.29	1.72
2	5-15 years (23)	147.04	-0.21	147.35	2.06	1.81
3	Over 15 years (9)	152.70	-0.37	153.26	1.49	1.28
4	Irredeemables (6)	173.81	-0.40	174.58	2.84	8.80
5	All stocks (61)	143.17	-0.21	143.47	1.72	1.69
	Index-Linked					
6	Up to 5 years (2)	184.34	-0.06	184.46	-0.88	1.51
7	Over 5 years (12)	169.26	+0.20	168.93	0.72	8.62
8	All stocks (14)	170.10	+0.16	169.83	0.62	0.74
9	Debs & Loans (61)	125.84	-0.87	125.92	3.18	0.26

	AVERAGE GROSS REDEMPTION YIELDS		Tue Feb 9	Mon Feb 8	Year ago (approx.)
	British Government				
1	Low	5 years	6.52	6.47	8.60
2	Coupons	15 years	8.11	8.86	9.14
3	(8%-7¾%)	20 years	8.43	8.38	9.14
4	Medium	5 years	7.03	6.98	9.38
5	Coupons	15 years	8.59	8.56	9.22
6	(8%-10¼%)	20 years	8.78	8.75	9.19
7	High	5 years	7.22	7.15	9.61
8	Coupons	15 years	8.88	8.84	9.31
9	(11%-)	20 years	8.97	8.92	9.25
10	Irredeemables (Flat Yield)		8.88	8.76	9.34
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	2.20	2.18	3.82
12	Inflation rate 5%	Over 5 yrs	3.66	3.68	4.27
13	Inflation rate 10%	Up to 5 yrs	1.48	1.39	3.20
14	Inflation rate 10%	Over 5 yrs	3.48	3.50	4.18
15	Debs & Loans	5 years	8.72	8.72	10.82
16		15 years	9.65	9.64	10.61
17		25 years	9.86	9.85	10.45

COMPANY NEWS: UK

Isosceles disposes of US sports goods chain

By Maggie Urry

ISOSCELES, the heavily-indebted parent company of the Gateway food retail group trying to renegotiate its debt, has finally agreed the sale of Herman's Sporting Goods, its US chain of 259 sports shops.

The price agreed with the purchaser, an investor group led by the Taggart/Fasola Group, a US management firm which specialises in turnround situations, was not disclosed. However, it is thought that Isosceles will receive about $40m (£28m) for the chain.

Isosceles has been trying to sell Herman's since it succeeded with a £2.1bn leveraged buy-out of Gateway in 1989.

The sale of Herman's is expected to close in early March. Mr William Taggart, chairman of the Taggart/Fasola Group, said "in order to grow in the 1990s Herman's will need fresh capital and fresh ideas".

Dee Corporation, the former incarnation of Gateway, paid £278m for Herman's in 1986 and then expanded it by acquiring another chain for £45m. Even before Isosceles' bid for Gateway, Herman's was proving an unhappy investment.

Soon after Isosceles bought Gateway it is thought to have received an offer for Herman's of about $300m (then about £200m), but this fell through when the buyer was unable to assemble the necessary funds. Another possible purchase fell through in October last year.

In Isosceles' last accounts, for the year to April 26 1992, the investment in Herman's was written down by £144.8m. It was shown in the balance sheet under "investments held for disposal" and was thought to make up the bulk of the £57.7m value put on these. Another write-down is therefore expected in the next accounts.

Isosceles is currently in talks with its lenders over a refinancing of £1.4bn debt. It has a standstill agreement with its banks until May 28 this year.

It has yet to publish interim results, and these may not appear until agreement on the refinancing is reached.

Hunting coatings side sold for £19m

By Richard Gourlay

HUNTING, the defence, aviation and oil services company, has sold its specialist coatings division to Williams Holdings, the industrial conglomerate, for about £19m.

The sale marks the end of Hunting's attempt to develop a special coatings leg that would reduce group dependence on a declining defence market.

Mr Ken Miller, chief executive, said the group had already gone a long way along a better diversification path with the development of its oil services and aviation divisions.

Yesterday Hunting added two Houston-based oil service companies at a cost of £5m. It also announced a £250,000 purchase from Pirelli of Sekur, an Italian defence company whose products include fuel tanks and rubber components for tracked vehicles.

Hunting also said that in December it raised $50m (£33m) for a 5-10 year period through a dollar private placement. The announcements come only days after it was awarded a seven year contract to manage the UK government's Atomic Weapons Establishment at four sites including Aldermaston in Berkshire.

As a result of the deals, gearing should fall from the 70 per cent level prevailing at the end of December, according to Mr Miller.

This was after taking account of additional working capital requirements to fund the AWE contract and the benefit to shareholders funds from a £19m profit over book value on the sale.

The coatings businesses, which trade under the Hammerite name, will be an addition to the Williams stable of consumer building products that include Polycell and Cuprinol.

Mr Nigel Rudd, Williams chairman, said the deal was consistent with group policy of buying market leading brands in the consumer building product and fire and safety areas.

Hunting shares closed up 13p at 233p.

Reed Intl sells stake in BSkyB

By Raymond Snoddy

REED International yesterday reached an agreement to sell its indirect stake in British Sky Broadcasting in a deal worth £62.3m.

Reed is selling its 3.66 per cent stake in BSkyB, the satellite television venture, to the other three principal shareholders in BSB Holdings – Chargeurs, Pearson, owners of the Financial Times, and Granada.

Reed, part of the merged Reed Elsevier publishing group, will receive £12.3m in cash immediately.

The balance will be paid over the next two or three years out of any proceeds that flow to the three shareholders from BSkyB, whether from dividends or interest payments.

The deal takes Reed to the head of the queue for any money flowing from the satellite venture.

Mr Peter Davis, chairman of Reed, said: "It is a deal arrived at between the three and ourselves freely because they don't have to buy and we don't have to sell."

Aberdeen Petroleum moves for Brabant

By Peggy Hollinger

ABERDEEN Petroleum, the US-based oil and gas production company which is quoted in London, yesterday threw down the gauntlet to Brabant Resources with an all-paper bid valuing the UK explorer at £8.5m.

The move follows Aberdeen's protracted efforts to reach agreement on a friendly merger with Brabant. If successful, a takeover would double Aberdeen's issued capital.

Mr Nicholas Gay, Brabant's finance director, said his group still strongly opposed any proposals from Aberdeen. "It is not consistent with Brabant's strategy and there is no clear synergy," he said.

Brabant would delay its results, due tomorrow, until Aberdeen's offer document is published.

Aberdeen is offering 35 shares – which closed 1¼p down at 11¼p – for every 10 Brabant. This values Brabant at 39.3p per share, compared with last night's close of 39p, up 10p on the day.

Aberdeen already controls 21.4 per cent of Brabant. This includes its holding of 9.99 per cent and irrevocable undertakings from Titon Oil & Metals to accept the bid in respect of its 11.4 per cent stake.

Mr David Hooker, Aberdeen's managing director, said the takeover made sense in the light of an inevitable rationalisation of the small oil and gas sector. "If we can glue a lot of these companies together, and increase liquidity, it would make sense (for institutional shareholders)", he said. Significant savings could be achieved on overheads and by cutting down exploration.

The bid was described by analysts and some institutional investors as opportunistic, however. One analyst suggested that Aberdeen, with all its assets in North America, "is carrying costs in the UK which the US is not happy about".

A large shareholder also suggested that Aberdeen was trying to fend off its own potential predator, Pittencrief, the telecommunications and resource group, recently took a 16.6 per cent stake in Aberdeen. Pittencrief is reported to be building up its oil and gas assets in advance of a demerger of its two divisions.

Changes for an extended family

Philip Gawith and Kenneth Gooding on Anglo American's reshuffle

NOT EVERY member of the Anglo American Corporation of South Africa's extended "family" was entirely happy with the outcome of the latest reshuffle of the group's international assets. But the reorganisation pleased most of those directly involved as well as long-time Anglo observers.

The reshuffle involved no less than four companies perceived to be in Anglo's orbit: Charter Consolidated sold its 38.3 per cent shareholding in Johnson Matthey for £342m. A new company jointly owned by Minorco and Johannesburg Consolidated Investment acquired 20 per cent of JM and the rest of the shares went to London-based institutions.

Mr Jeff Herbert, managing director of Charter, a UK industrial company, was wearing a huge smile yesterday because Charter started the ball rolling some time ago by deciding the stake in JM, the world's biggest platinum marketing company, simply had to go. It represented about half Charter's market value but Charter had limited management influence and no direct access to JM's cash flow. By potting the cash received on deposit Charter can double its income from the £6m collected in JM dividends to £12m in interest.

If Mr Herbert's joy was not entirely unconfined yesterday, it was because a leak about the JM share sale forced Charter to shelve the second element in its strategy – cutting Charter completely adrift from Anglo's influence by buying back the near-36 per cent of Charter owned by Minorco, Anglo's Luxembourg-based overseas investment arm.

Jeff Herbert: Anglo had not interfered as he reshaped Charter

Nevertheless, most analysts expect that will be Mr Herbert's next step and he confirmed yesterday that was one of his options.

Mr Herbert said Anglo had exerted no pressure on him as he reshaped Charter during the past five years. Minorco was always supportive and helpful, not least over the decision to sell the JM shareholding.

Nevertheless, some close to the deal suggested Anglo was called on to mediate about which family member should buy the JM shares. Johannesburg Consolidated Investment approached Charter to buy 20 per cent of JM last November. JCI, which has a 33 per cent shareholding and manages Rustenburg, the world's biggest platinum producer, had heard that the JM stake was up for sale and had strategic reasons for making sure it did not fall into unfriendly hands.

However, Minorco did not want JCI to take more than 10 per cent of JM. Minorco has a direct 30 per cent shareholding in Engelhard, the US platinum market group and one of JM's rivals. One day Minorco might want to increase that stake but its soundings among anti-trust regulators in Europe and the US suggested that this might not be possible if 20 per cent of JM was held by any one member of the Anglo family.

So a last-minute compromise was worked out for Minorco and JCI to share 20 per cent of JM. Insiders suggest. From Minorco's point of view this enabled it to keep a strategic shareholding in JM, even if that stake was reduced from about 14 to 10 per cent, and still equity account its interest in the platinum company.

Any threat that the reshuffle would attract the unwelcome attention of anti-trust authorities was further lessened by the sale of 18.3 per cent of JM to institutional investors, thus widening the ownership base. Barclays de Zoete Wedd and UBS Phillips & Drew placed the shares at 456p each with institutions in London.

Mr David Davies, chairman of JM, pointed out that once the deal was completed, JM would be "a truly independent company." The effective control exerted by Charter's stake would be removed and trading liquidity in JM's shares should improve – an important consideration for a company with realistic ambitions to join the FT-SE 100 index.

Mr Davies also pointed out that the reshuffle would provide a direct link between JCI, manager of Rustenburg, and JM, which for 60 years has had exclusive marketing rights to Rustenburg's platinum output. This could lead to some important commercial benefits. For example, fuel cells to propel vehicles could be most important for the platinum business in 10 to 15 years time but would be extremely expensive to develop. "So when you have JCI-Rustenburg, interested in new uses for platinum, and JM at the forefront of fuel cell technology, the two together become a potent force."

Many on the outside looking in at the complexities of the deals, agreed with Mr Rob Weinberg, analyst at Société Générale Strauss Turnbull, who suggested that "the deal appears to have been well-structured for the benefit of all parties. Charter has disposed of its interest in JM at an attractive price, Minorco has retained its strategic interest, JCI has moved downstream in the platinum industry and strengthened its links with the company which markets its products. And the market has picked up a good line of JM stock at a 7 per cent discount to Monday's market close."

Shell sells bulk of Colas division for £72m

By Angus Foster

SHELL UK has sold its road services and building materials subsidiaries to a management-led buy-out vehicle backed by Charterhouse Development Capital.

The subsidiaries form the main part of Shell's Colas division. They include one of Europe's leading manufacturers of road markings and have been sold for £72m, which includes £20m of net cash. The purchase price is close to asset value, the company's advisers said.

The road services business trades under names such as Prismo in the UK and Prosign in France. The building materials company manufactures roofing felts and flooring adhesives in the UK. Tha subsidiaries acquired employ about 1,400 people.

Charterhouse underwrote the £30m equity portion of the deal. Tbe former management will take a small stake.

The debt portion of the traosaction, equal to £22m before working capital, was arranged by Morgan Grenfell and underwritten by the Bank of Scotland. Shell was advised by Lazards.

Two other companies within the Colas group, road surfacer Colas Limited and civil engineer Colcon, were not for sale and will remain within Sbell UK.

FT CONFERENCES

CABLE & SATELLITE BROADCASTING
London, 23 & 24 February

The Financial Times annual conference will review the state of progress of the new International television channels, their effect on the conventional televlaion companiee and tha associated business, investment and regulatory issues. Speakars includa: Sir Georga Russall of the Indspendant Television Commission; Sir Bryan Carsberg of the Office of Fair Trading; Mr John Birt of the BBC; Dr Burkhard Nowotny of Deutsche Wells; Mr Adam Singer of Inlernationel Telecommunications Inc; Mr Edward Blsier of Warner Bros Inc and Mr Gary Davey of British Sky Broadcasting.

TRANSPORT IN EUROPE – CREATING THE INFRASTRUCTURE FOR THE FUTURE
London, 2 & 3 March

The UK Government's transport policy and prospects for the privatisation of British Rail will be the subject of s keynote opening address lo be givsn by Ths Rt Hon John MacGregor, OBE, MP, Secretary of State for Transport. Mr John Welaby of the British Railways Board will also be apeaking. Transport problems in Garmany will ba outlined by Professor Dr Günther Krause, German Federal Minister for Tranaport end Mr Karl Sicking, Planning Director of Banverket will review the Swedish deregulation process and experience.

WORLD PHARMACEUTICALS
London, 8 & 9 March

The phermsceuticel Industry's rslationship with govemmsnts, shareholders, interest groups and the public will be addressd, alao hselthcere costs snd pricing policies. Mr Thomss Cuani, Sacratery Gsnarsl of Inlsrpharma has agreed to join the speaksr panel which includes Mr Robert Cswthorn, Rhône-Poulenc Rorer; Mr Devid Friend, Zeneca Pharmsceuticals; Mr Frederick Frank, Lehman Brothers; Prof. Dr Dr Emst-Günter Afting, Hoechst; Mr Henry Wandt, SmithKlina Baecham and Dr Cleudio Cavazza, SIGMA TAU Group.

THE EUROPEAN WATER INDUSTRY
London, 15 & 16 March

Environmental legislation, the cost of up-grading water quality and moving to new methods of waste disposal will be reviewed as well as opportunities snd challsnges for companles seeking fresh markets in Eastern and Central Europe. Speakers include: Mr David Maclean, MP, Minister for the Environment and Countryside; The Rt Hon The Lord Crickhowell, PC, of ths National Rivers Authority; Mr len Bystt of Ofwet; Mr Jaen François Didion of Lyonnalse des Eaux Dumez; Mr Nlkolai Mikheev of the Ministry of the Environment and Natural Resources of the Russian Federation and Mr Josus Tanaka from the EBRD.

THE FOOD & DRINK INDUSTRY
London, 23 & 24 March

The food and drink industries worldwide are being radically reshaped as manufacturers expand Internationally in search of faster growth and improved scale. Conference speaksrs Include: Mr George Bull, Grand Metropolitan; Mr Colln Overbury OBE, Commission of the European Communities; Mr Logan Taylor, Argyll Group and Mr Todd Martin, Kraft General Foods Europe.

All enquiries should be addressed to: Financial Times Conference Organisation, 102-108 Clerkenwell Road, London ECIM 5SA. Tel: 071-814 9770 (24-hr answering service) Telex: 27347 FTCONF G, Fax: 071-873 3975 or 071-873 3969.

COMPANY NEWS: UK

Weak property market wipes out growth at MSC

By Ian Hemilton Fazey, Northern Correspondent

MANCHESTER SHIP Canal yesterday reported a marginal decline in pre-tax profits, from £10.8m to £10.5m, as difficult property markets wiped out growth oo its port operations.

Turnover rose 37 per ceot to £27.7m (£20.2m) and operating profits by nearly 14 per cent to £5.97m (£5.25m), thanks to a cootinuing squeeze on costs.

The port msde profits of £6.07m, s rise of 16 per cent on turnover up 3.5 per cent at £20.9m and cargoes ahead 2.8 per cent at 7.96m tonnes.

This, however, was oot eoough to counter falling Income from property and investments, and there was an exceptional debit of £1.45m to disband the company'a police force.

The company's main port interests are conceotrsted around Ellesmere Port and Ruocorn in Cheshire, while most of its property comprises the old Manchester docklands at Trafford Park and Salford Quays, where there is local oversupply of new office space.

Tax took £2.05m – against credits of £2.2m – because of reduced enterprise zone allowances.

This caused earnings per share to fall to 219.6p (339p). The proposed single dividend is unchanged at 4.5p.

Shareholders' funds improved from £137.3m to £153.1m after revaluation of dredging deposit grounds and tba company's interest in a waste disposal site.

Mr Robert Hough, chairman, said the property division had "weathered the storms reasooably well". Rental income had fallen by £700,000, but properties had been sold for £9.88m st s profit of £390,000.

He believed Harbour City, the flagship development in Salford Quays, would eveotually attrsct more teoaots because of its high standard of design. He also hoped for a government decision this year on the company's Dumplington site.

The 300-acre site is on the south bank of the canal st the junction of four motorways. A regional shopping centre is proposed.

Betacom back in the black with £350,000

By Grahsm Deller

BETACOM, tbe telecommunications equipmeot supplier which is 71.3 per cent owned by Mr Alan Sugar's Amstrad, returned to tbe blsck io the half-year to December 31 1992.

On turnover from cootinuing operations abesd to £6.67m (£5.11m) – reflecting an expanded product range, particularly in telepbooe answering macbioes – pre-tax profits emerged at £350,000 against losses of £644,000 in the corresponding six mooths.

Tbe figures were compiled under FRS 3 accounting principles.

Costs of restructuring and ratiooalisiog tbe raoge amounted to £73,000.

The result was helped by an interest turnround to £145,000 receivable (£218,000 payable), and included ao operating profit of £213,000 (£324,000) from discontinued businesses.

The disposal of the Loewe Betacom joint venture was completed in September.

Operating profits from continuing operations totalled £65,000, against a deficit of £196,000.

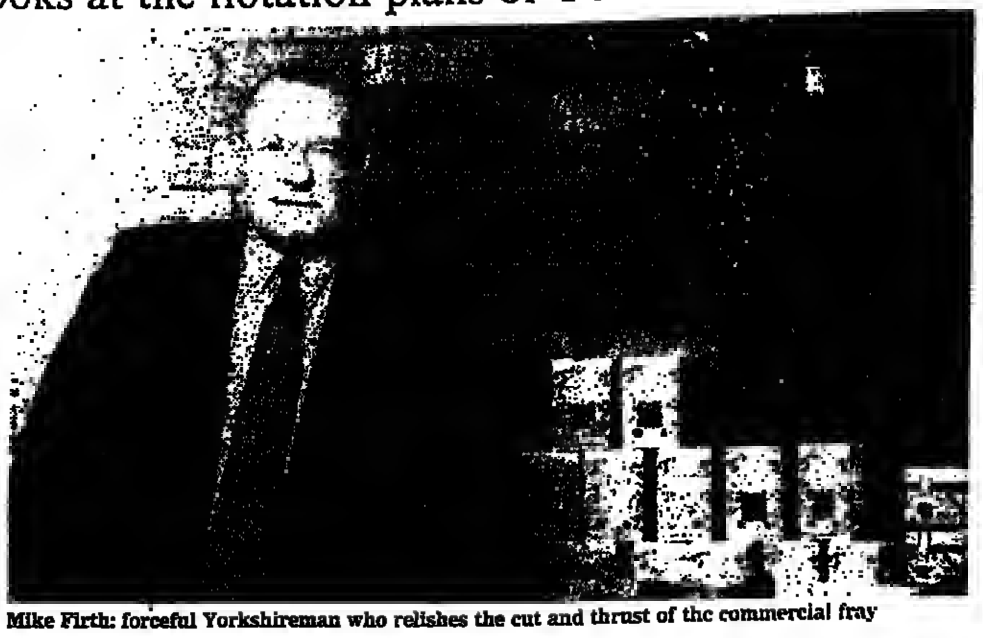
Mr Ken Ashcroft, chairman and former corporate finance director at Amstrad, said the group "was oow recovering its market sbare in the UK after an extremely difficult period".

Net assets at the period end amounted to £10.4m, including casb of £3.4m.

Earnings per share emerged at 0.46p, against losses of 3.86p.

Right ingredients for success

Andrew Bolger looks at the flotation plans of Yorkshire Food



Mike Firth: forceful Yorkshireman who relishes the cut and thrust of the commercial fray

YORKSHIRE Food Group, which bas expanded rapidly by buying ingredients businesses from Berisford Internatiooal, will be floated on the market this spring.

The Bradford-based business was founded by Mr Mike Firtb, 46, the chairman and chief executive.

In 1991 Yorkshire, backed by institutions, paid £11m for Scotia Haven Foods, Berisford's loss-making dried fruit business, sod last year bought Treebouse Farms, Berisford's Californian almond processor, for $9.96m (£6.6m).

These acquisitions boosted Yorkshire's turnover from £15m in 1990 to more than £60m last year. Operating profits have grown from £664,000 to more than £3.5m. The group is expected to have s market value of about £35m.

A forceful Yorkshireman, Mr Firth and his team transformed Scotia Haven's pre-tax losses of £1.29m in the year before acquisition to a profit of £900,000 by squeezing working capital.

Stock values were reduced from more than £6m to £1.5m by the end of 1991, so outside warehousing totalling 70,000 sq ft was no longer required at tbe plant oear Warrington, Cheshire.

Stock control was integrated witb the production, buying and ssles fuoctions, and improved credit controls belped cash management.

Permaneot staff kept their jobs, but 80 fewer seasonal workers were employed and nine senior managers were replaced by three from Yorkshire Foods.

However, Yorkshire is oot just in the business of trimming costs. Treebouse incorred a loss of $743,000 in the year before it was acquired, but the new owners brought it back ioto profit by substantially increasing the company's purchase of nuts – almost all of whicb were sold by Christmas.

Mr Firth believes that the same management disciplines can be applied to other parts of the food industry, and Yorkshire inteods to make further substantial acquisitions. He said: "It comes down to ambition – I believe we have a management team whicb is capable of running a much bigger company."

Mr Firth, who studied physics at Bradford University, established his own packaging business in 1974 witb a £3,000 bank loan after he quit as a production maoager with Mars.

He said: "Mars offered me promotioo, but I'd always wanted to run my own business and did not want to get used to a fat salary."

After packaging toys and games, in 1979 he established Normanton Foods, near Leeds, which packs sugar, mainly for Sainsbury.

It later expanded into direct purchasing of raw materials for packing and selling to retail chains.

In 1983 Mr Firth bought the stock of Hunni Foods, a commodity packer of nuts and pulses from the receiver for £25,000 – and then sold it for £40,000. Hunni brougbt an additiooal range of products, a label and a modest customer base, whicb by 1985 extended to Wm Morrisoo Supermarkets.

Mr Firth relishes the cut and thrust of the commercial fray. He recalls an early attempt to drive him out of business by a major competitor, whicb offered to supply Morrison at practically cost price.

Morrisoo allowed him to keep the reduced-rate busioess, but Mr Firth obtained a copy of the competitor's rock-bottom bid, and delighted in faxing it to buyers of all the leading supermarket chains. Mr Firth said: "The whole affair cost me about £150,000, but it must bave cost them £1.5m. I've never enjoyed myaelf so much."

Yorkshire has two beverage subsidiaries near Halifax – Freshroast Coffee, which roasts and packs beans, and Coffee Mac, wbich offers an extensive range of beverage dispensing machines.

Altbough the businesses account for only about 4 per cent of the eolarged group's sales, tbcy enjoy higb margins and the group intends to build Coffee Mac, whicb curreotly has 500 machines installed, ioto a national chain.

The group has enjoyed more mixed fortunes with its two baking subsidiaries, Forshaws (Confectioners) and Crossfield, whicb supply pies to retailers and caterers.

Last year the daily delivered confectionery business and bakery business was closed because of the high levels of investment needed in an extremely competitive market.

Crossfield has won important contracts, such as supplying part-baked frozen pies, which have a distinctive "home-made look" to Euro-Disney in France. Baking represents only 2.5 per cent of group sales, but Mr Firth is determined to learn more about the bakery business – whicb he estimates is worth more than £3bn annually.

However, there is no doubt that Yorkshire's main focus will be on relatively large food processing and packaging operations, where the management's tight controls have most scope for finding cost-savings and greater efficiency.

Mr Firth said: "It is easier to make savings with big numbers. You also spend the same time on a £40m deal as you do on a £4m one."

The group, which will have gearing of about 30 per cent after the flotation, is likely to make a fairly rapid move in the UK. Longer-term, Mr Firth likes the West Coast of the US, and believes the size of the domestic market there means many American businesses do not fully appreciate export opportunities.

Yorkshire will come to the market through a placing sponsored by stockbrokers Panmure Gordon. It is belog advised by National Westminster Bank.

The group has been backed by Murray Johnstone's venture capital arm and Phildrew Veotures.

Powerscreen disposes of Guzzler for $24m

By Jane Fuller

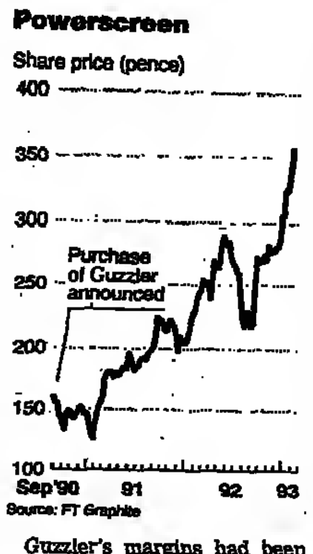
POWERSCREEN International, the Northern Ireland-based maker of screening and crushing equipment, has sold one of its US subsidiaries for $24m (£16.8m) to Federal Signal Corporation.

Guzzler Manufacturing, which makes truck-mounted vacuum cleaning equipment for industrial sites and sewers, was bought by Powerscreen for $17.9m in August 1990.

Mr Barry Cosgrove, finance director, said Federal Signal's first approach had been rebuffed. An improved cash offer had changed the management's mind.

He added that Powerscreen had taken $5.3m cash out of Alabama-based Guzzler in debt repayments and interest since its purchase. The US company made £2.1m in after-tax profits on $27m sales in 1991-92. But that was on a low tax rate of 10 per cent. By next year that rate was expected to rise to 38 per cent.

Mr Shay McKeown, chief executive, said profits from Guzzler were expected to fall to $1.6m pre-tax this year. It was the one company in the group not performing to budget.



Guzzler's margins had been eroded by price competition in the contractor market. Federal Signal, which has a street cleaning operation, was in a better position to expand Guzzler in the municipal market, whereas Powerscreen would have had to expand its product range into sweepers and refuse vehicles.

"We don't want to be a conglomerate," said Mr McKeown. The group had decided to concentrate on materials handling, where it has built up international sales of mobile equipment. North America would account for approaching 30 per cent of group turnover even after the Guzzler disposal.

Powerscreen was now expected to have at least £20m cash in hand at the March year-end. The prime candidate for the next acquisition would be a North American crushing equipment company, preferably involved in the recycling of demolition material or timber.

The UK, which accounted for 29 per cent of first-half sales, would also be an attractive hunting ground. Targets on the Continent tended to look expensive because of the weakened pound.

Powerscreen, which has kept profits moving ahead during the recession, is forecast to increase pre-tax profits from £18.8m – on £88.1m sales – to between £22m and £23m this year.

Its share price closed down 1p at 359p yesterday. That compares with 158p at the time of the Guzzler acquisition. The 6.16m shares allotted to the vendor were placed – they are worth £22m compared with less than £10m then.

Standard Platforms makes US disposal

STANDARD Platforms Holdings, the USM-quoted computer hardware and software group, has disposed of its US DocuFile subsidiary to Mr Martin Caniff, its president.

This was the only firm offer received although the company had been in negotiations with three potential purchasers. In the light of the DocuFile disposal, Mr HS Hardy, whose main area of responsibility has been within that company, has resigned from the Standard Platforms board without compensation.

Provision of £100,000 relating to the disposal has been made in the current interim accounts. For the six months to September 30 there were substantially lower pre-tax losses of £22,673 after the provision, against losses of £471,341.

Turnover more than doubled to £1.88m (£849,497), some £165,287 (£24,560) of which related to the discontinued operations of DocuFile.

The directors said that in the first quarter of the second half there had been a downturn in the level of orders received and the lower turnover would "have a material adverse impact on the company's trading results for the year".

Losses per share were 0.5p (12.1p). There is no dividend.

£8.9m charge for change of emphasis clears ground for recovery

Attack on overheads helps P&P

By Alan Cane

P&P, the personal computer distributor and computing services supplier, is beginning to show the benefits of a determined attack on escalating overheads, with a profit before tax last year of £2.01m, up from £711,000 previously.

The company, however, recorded a net loss for the full year of £7.58m, as a result of taking an extraordinary charge of £8.93m to cover the costs of extricating itself from the distribution of high volume, low-cost personal computers – a business where cost cutting and intense competition have reduced margins to unprofitable levels.

The share price yesterday rose 5p to 41p.

Turnover in the year to November 30 1992 was slightly lower at £222.8m (£228.3m). However, as personal computer prices have been falling at up to 40 per cent a year for the past two years, the bald figures conceal a substantial increase in volume of business.

Earnings per share were more than doubled at 1.9p (0.7p) and a final dividend of 0.7p is declared, making a total of 1.4p (4.33p).

Shareholders' funds remain in excess of £40m, or 72p a share, and the company has net cash of £3m.

P&P has suffered over the past two years through being one of the largest participants in a sector where profit margins have fallen steadily.

It has now taken the step of disengaging itself from the high volume distribution of low cost computers where gross profit margins were only 10 per cent. That leaves it in computing services, with gross profit margins of close to 60 per cent, and in higher value computer products where gross margins of over 20 per cent can be achieved.

The £40m-a-year-sales high volume business, comprising relationships with dealers and contracts with manufacturers and P&P itself, will either be sold or run down.

Mr David Southworth, group managing director, said the worst was over: "If we manage cash and overheads for the next two years, we will do very well."

● **COMMENT**

Mr Southworth is looking a good deal happier these days. The decision to cut away the least profitable part of the business and to take the £8.9m charge for doing so has cleared the ground for recovery and the management team has already shown its competence in coming to grips with costs. Forward profits are difficult to predict in the computer business in the current climate, but it would be surprising if there was not a strong advance on 1992. With a historic p/e of about 23 there seems little reason to quibble with analysts' opinion of a strong buy.

Falcon moving to Luxembourg

By Maggie Urry

FALCON MINES, the Zimbabwean gold mining group, is moving out of the UK so as not to become liable for UK corporation tax, in particular advance corporation tax on its dividends.

The group, which has no operations in the UK, plans a reconstruction and a move to Luxembourg.

Until the 1988 Finance Act, companies could be incorporated in the UK without being resident for tax purposes if their operations were overseas.

However, that act said such companies would become resident for tax purposes after five years. That provision comes into effect on March 15 this year.

Fewer than 20 per cent of Falcon's shares are held in the UK, and the shares are also listed in Zimbabwe and South Africa.

Falcon's immediate problem, if it remained in the UK, would be that it would become liable for ACT on dividends paid to all its shareholders and would not be able to recover that tax.

At present it has to obtain permission under Zimbabwean exchange controls to take money out of that country to pay dividends to non-Zimbabwean investors. Falcon felt it was unlikely to receive permission to take money out of Zimbabwe to pay UK taxes on dividends paid to shareholders in Zimbabwe.

The group is proposing to move its entire assets and undertakings to a new company, Falcon Investments, which will be based in Luxembourg.

Under the plan, which is to be put to shareholders at two special meetings, holders will receive one new Falcon Investments share for every 10 Falcon Mines shares held.

Falcon Investments shares will be quoted in Luxembourg, as well as Zimbabwe and South Africa, with dealings commencing on March 15. UK investors will be able to trade in Falcon Investments shares in London under Stock Exchange Rule 535 (4) (A). If the proposals are approved, shares in Falcon Mines will cease to trade on March 12 and the company will be wound up.

Fleming Overseas net assets up 26%

In the six months since its June 1992 year end, net asset value per share of Fleming Overseas Investment Trust increased 26 per cent from 214.7p to 271p. At December 31 1991 assets were 222.5p.

Earnings from 1.78p to 2.16p per share. The interim dividend is maintained at 1.5p.

Boustead sale for £4.5m

Boustead, the industrial trading group ultimately controlled by Jack Chia-MPH, the Singapore-based trading company, is selling the holding company of Aircraft Furnishing to BE Aerospace for some £4.5m cash.

Included in the consideration is £531,000 in respect of an inter-company loan.

AFL makes, refurbishes and sells aircraft seats. In 1991 it made pre-tax profits of £44,000 on turnover of £4.7m.

For 1992 unaudited accounts show profits of £541,000 before tax and turnover of £6.59m. Unaudited net assets at December 31 1992 were £1.14m.

The proceeds will be used to reduce borrowings.

Platon holders urged to take no action

Platon International's board put shareholders on hold yesterday following Monday's bid from Wills Group. Ahead of the announcement, which urged shareholders to do nothing until the directors had considered the offer with their financial advisers, the share price rose to 26p, up 5p on the day.

Mr Robin Meyer, chairman of Platon, will be writing to shareholders in the next few days.

COMPANY NEWS IN BRIEF

CABLE AND Wireless has acquired a 40 per cent stake in Belcel, a joint venture set up to build and operate a cellular telephone network in Belarus. C and W's initial investment amounts to some $7m (£4.6m).

CULVER HOLDINGS received acceptances for 5.45m shares (27.3 per cent) in respect of its offer for all the ordinary shares in DG Durham.

ECCLESIASTICAL INSURANCE Office's revised offer for St Andrew Trust received valid acceptances of 3.92m shares (about 11.42 per cent). In aggregate, Ecclesiastical now has about 58.15 per cent of St Andrew Trust's equity capital. The revised offer is now closed.

MERGER CLEARANCE has been received in respect of DCC's Ochil subsidiary's cash offer for Printech, which has become unconditional. Clearance has also been received in respect of DCC's subsidiary Oare's offer for Wardell Roberts, which has also been declared unconditional.

OLIVER RESOURCES has received irrevocable acceptances from Kirkland shareholders in respect of 1.42m Kirkland shares (36.8 per cent). Oliver has an interest in a total of 1.53m Kirkland shares (approximately 39.8 per cent).

REDLAND: The disposal of the Steetley brick plant to Cranleigh Brick and Tile Company has been approved by Sir Bryan Carsberg, the Director General of Fair Trading.

TRAVIS PERKINS has acquired the assets of Rockinghams Garden Centre from the receiver for £1.35m. The company's garden centre subsidiary, Kennedys, has 11 centres. Anticipated sales for 1993 are in excess of £10m.

TRIO HOLDINGS: Rights issue taken up or placed as to 19.9m shares (92.3 per cent). The remaining 1.6m shares have been sold in the market.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Bailey (CH), Benson, Elbief, Kokuzi, Throgmorton 1000 Smallest Co's.

Finals- ICC Bank, Kleinwort Overseas Inv, Scottish American Inv

FUTURE DATES

Interims-	
Brierley Inv	Mar 4
Compass	May 19
FII Group	Feb 22
Galliford	Mar 4
Gleeson (MJ)	Apr 1
HunterPrint	May 20
Finals-	
Amstrad	Feb 23
Boddington	Mar 4
East German Inv	Feb 22
Fleming Fledgeling	Feb 17
HSBC	Mar 15
Persimmon	Mar 8
Shires High-Yielding	Feb 23
Thailand Intl Fund	Feb 25

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Flem Enterprise ......int	1.3	Apr 2	1.3	-	4.5
Fleming Overseas....int	1.5	Mar 26	1.5	-	4
Manchester Ship ......fin	4.5	Mar 26	4.5	4.5	4.5
News Intl ....int	2.805	Apr 30	2.09	-	3.909
P&P ....fin	0.7	May 15	3	1.4	4.33
Reuters ....fin	15.9	May 4	12.3	21.2	17

Dividends shown pence per share net except where otherwise stated.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 10.02.93: Pool purchase price £/MWh	Final Prices for Trading on 13.01.93: Pool purchase price £/MWh	Final Prices for Trading on 13.01.93: Pool selling price £/MWh
0030	18.40	17.89	17.89
0100	20.70	20.56	21.81
0130	32.11	26.07	27.55
0200	32.11	26.07	27.50
0230	21.46	20.56	21.77
0300	21.45	20.56	21.77
0330	18.40	20.56	21.77
0400	17.81	17.57	17.57
0430	17.56	17.48	17.48
0500	17.56	17.49	17.49
0530	18.08	17.49	17.48
0600	18.08	17.49	17.46
0630	18.21	17.49	17.49
0700	21.64	20.29	21.52
0730	21.89	20.30	21.53
0800	22.29	21.98	22.35
0830	22.41	21.13	22.40
0900	22.41	22.98	24.33
0930	25.85	22.18	24.53
1000	25.85	23.19	24.54
1030	25.85	21.48	22.75
1100	22.41	21.45	22.73
1130	22.41	21.46	22.75
1200	22.41	21.50	22.80
1230	22.41	23.15	24.40
1300	22.41	23.09	24.42
1330	22.41	21.32	22.58
1400	19.29	21.30	22.55
1430	19.10	21.08	22.27
1500	19.10	21.29	22.54
1530	19.25	21.30	22.56
1600	19.25	21.56	22.89
1630	22.76	31.73	34.86
1700	27.10	43.25	48.35
1730	27.25	45.57	50.55
1800	27.26	40.41	44.39
1830	27.15	30.92	32.86
1900	26.88	23.81	24.94
1930	26.86	21.37	22.80
2000	23.78	21.03	22.24
2030	22.74	20.87	22.08
2100	21.90	20.52	21.72
2130	21.74	20.29	21.46
2200	21.74	20.29	21.50
2230	21.86	17.72	17.72
2300	18.24	17.49	17.49
2330	18.02	17.46	17.46
2400	17.56	17.45	17.45

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456788 between 8.30am and 5.15pm Monday to Friday.

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COMMODITIES AND AGRICULTURE

Grass roots opposition threatens exchange merger

By Laurie Morse in Chicago

THE CHICAGO Board of Trade's proposed take-over of the New York Commodity Exchange (Comex) is on the verge of being derailed by belligerent Comex floor traders who believe the deal unfairly benefits the CBoT.

While clearing firms at both exchanges favour the plan for the cost savings it will provide, floor traders are angry that they have been asked to give up their membership equity and voting rights for yet-to-be determined benefits of sharing the CBoT name and an alliance with the world's largest futures exchange.

Despite the increasingly institutional nature of futures trading, floor traders still wield the clout in exchange politics and their approval is crucial for the success of the merger plan.

"I think the offer is insulting, it annoys me," says Mr Vince Zuccarelli, a Comex floor trader and one of the take-over's more vocal opponents. "The CBoT wants to buy the Comex without putting up any funds. In fact, they want to buy the Comex with Comex funds. What is it the Board of Trade is bringing to the party?"

The CBoT has proposed to employ its marketing and administrative expertise to boost Comex trading volume and use funds saved from combining operations to form a trust fund to buy out Comex seats. At a packed member meeting at Comex last week, Mr Patrick Arbor, the CBoT Chairman, was pressed for a financial commitment to the Comex, which he proved reluctant to give.

Mr Arbor has since described that meeting as "emotionally charged" and has stuck to his position. "Nothing in this deal is carved in granite," he said, "but there are some things that are deal breakers." Specifically, he said the CBOT was not prepared to cover any potential Comex losses or cost overruns. "Quite frankly, we're businessmen," he said.

The CBoT has sent the plan to a committee of attorneys and accountants. Mr Arbor says it could take 18 months to complete the contract. In the meantime officials at both exchanges will attempt to soft-sell the plan to Comex members.

Mr Richard Sandor, a derivatives executive at Kidder Peabody and the architect of the takeover proposal, will pitch the benefits of the plan to Comex traders at a meeting this afternoon. He is likely to encounter traders who share Mr Zuccarelli's belief that a merger with a New York exchange is preferable to a long-distance marriage with the CBoT.

New York's five futures exchanges have a history of squabbling with one another. However, the CBoT's take-over bid could force local consolidation even if it fails. If the CBoT plan is refused, another suitor will emerge, predicts Mr Lou Guttman, chairman of the New York Mercantile Exchange and a Comex member. "Comex cannot continue independently as it has the last several years," he said. Any exchange in the country would be willing to take Comex on the terms proposed by the CBoT, Mr Guttman added.

NZ polishes apples for Japanese sales drive

By Terry Hall in Wellington

NEW ZEALAND'S apple growers are in a buoyant mood as they pick the new season's fruit. Thanks to the Japanese the export outlook has never been rosier.

From June New Zealand looks set to be the first major apple producer in the world to be able to export its fruit to Japan, which has a keen appetite for the fruit. This depends on final acceptance by the Japanese that New Zealand can effectively control various moth parasites.

New Zealand exporters acknowledge, however, that gaining a sizeable share of this market will not be easy: for a start the Japanese prefer larger rosy coloured apples of a type they do not now produce, and the condition must be superb. Luckily New Zealand, which has been pioneering new varieties for world markets, believes it could have the answer in an unnamed variety, still known as GS2085. In the meantime exporters hope the Japanese might be persuaded to eat Granny Smiths, Royal Gala, and some other export varieties.

The optimism follows the agreement in principle reached late last year on the treatment of New Zealand apple pests. Mr Joe Pope, chief executive of the Apple and Pear Marketing Board, says he is "very confident" that the agreement will soon be formalised. "But it represents a huge challenge. Japan is the most demanding market in the world, and our success there depends only on our ability to perform."

He says that apples are at present a high-priced luxury in Japan. The large blemish-free fruit produced domestically are virtually hand reared: as each apple is grown it is put into a succession of paper bags to protect it. Apples are sold individually, with a family dividing one up between them.

Mr Pope says New Zealand will have to develop varieties for this market, although Royal Gala would seem suitable, as would the new variety GS2085. "That will have considerable potential there," he says.

At present only Korea is permitted to export tiny quantities of apples to Japan so New Zealand has scored something of a coup, Mr Pope claims. He warns, however, that the US is also working hard at securing a similar agreement with Japan and might be as little as six months behind New Zealand.

Holding the line on farm reform

David Gardner on tough challenges facing the new EC commissioner

MR RENE Steichen of Luxembourg, the European Community's new farm commissioner, has taken over the most powerful job in European agriculture at a peculiarly difficult time.

Farmers across Europe are blaming their declining incomes and the continuing exodus from the land on the reform of the Common Agricultural Policy, as well as agreements with the US within the General Agreement on Tariffs and Trade's Uruguay Round world trade negotiations, to cut food export subsidies.

Mr Steichen's predicament is easily summed up. Farmers are up in arms about measures – CAP reform and the Gatt settlement – which have not yet been applied. His predecessor, Mr Ray MacSharry of Ireland, won plaudits for the most radical overhaul of the CAP in its 30-year history and for averting trade war with the US within an overall farm trade settlement which was arguably beyond the best the EC could hope for.

The new commissioner has none of the glory for these achievements; he merely has to implement them.

He can look forward to brickbats from the farmers for so doing, and sniping from agriculture economists and pundits if he appears to cede any ground to farmers under either the reform or the Gatt trade talks.

As one agriculture official at the European Commission puts it, "after last year things are as tight as they ever could be, and anything that happens under Steichen will only loosen them".

Rene Steichen: taking on the job at a difficult time

Mr Steichen is alive to this danger. "They say I'm a Trojan Horse for France," he remarks with certain amusement. It is France's militant farmers and its unpopular Socialist government, which is desperate to placate them, who have proved most determined to block a Gatt deal and pick away at the CAP reform.

Certainly France, the EC's agricultural superpower, was uncomfortable with the abrasive Mr MacSharry.

The Irishman took a firm hold on Directorate-General VI – the powerful Brussels agriculture department previously considered an outpost of the Paris farm ministry – and ruthlessly faced down a succession of French agriculture ministers who were convinced they would get their way until the moment of defeat.

"It's not clear," one senior commission official says, "whether Steichen can make his own views DG VI's views." He adds that despite the new commissioner's own agricultural policy background, his personal staff is top-heavy with generalists – although headed as *chef de cabinet* by Mr Jim Cloos, the highly-regarded former Luxembourg ambassador to the EC.

Mr Steichen, a 50-year old French-educated solicitor and Christian Democrat, looks as though he will be more emollient. He joined the Luxembourg cabinet in 1984 as state secretary for agriculture, taking over as minister from 1989. He comes across as relaxed, with a light touch, and quick to smile. He chaired the farm council with ease during the stormy first half of 1991, when Mr MacSharry presented his reform to universal vituperation. From France's point of view, it is a welcome change that he speaks French. One of his top aides says that if Mr MacSharry was the man needed to bludgeon reform through, Mr Steichen is more the sort of man needed to put reform to work.

The commissioner insists he will be in regular contact with all EC national farm organisations; last Friday he left officials from Britain's National Farmers' Union with the impression he was more accessible and receptive than Mr MacSharry.

But in presenting this year's farm price package, Mr Steichen has already signalled that he is no soft touch. His underlining that there would be no extra money to buy off national farm interests could almost have been designed for France, which is still pushing for bigger off-sets to the price, output and export cuts in the CAP and Gatt packages.

A running sore for months to come will be the commission's efforts to demonstrate, over protestations led by France and Ireland, that the cuts required under the Gatt deal are compatible with the CAP reform.

Mr Steichen nailed his colours to the mast in a keynote speech last month. "The figures I have show that, overall, the concessions made by the EC [within the Gatt] - and the ones made to us as well, which we too often forget - are within the framework of the reform and guarantee the security" of the CAP.

Like Mr MacSharry, he believes the EC-US deal on farm trade means international recognition of the CAP. He is anxious to wrap up the oilseeds agreement with the US quickly, and for an early conclusion to the Uruguay Round of Gatt negotiations, in order to shore up these agreements. For without that recognition, all the community's main commodity regimes would be vulnerable to challenge through the Gatt. And that, in the longer run, could mean curtains for the CAP, reformed or unreformed.

India sanctions more cotton sales

By Kunal Bose in Calcutta

THE INDIAN federal government has sanctioned an additional cotton export quota of 500,000 bales (170 kg each) for the cotton season which began in September 1992.

Earlier, anticipating a bumper cotton crop and, consequently, a domestic price collapse, the government released 1m bales for export.

Officials say that the only way domestic cotton prices can be maintained at above the recommended minimum level is by stepping up exports. World prices for cotton are higher than Indian prices by at least 10 per cent at present.

In 1991-92 India imported 300,000 bales of cotton.

Norwegian oil reserves estimate raised by 12%

By Karen Fossli in Oslo

THE NORWEGIAN Petroleum Directorate, the industry watchdog, has upgraded its estimate of recoverable reserves from the country's continental shelf by 12 per cent to 10bn tonnes of oil equivalent.

The previous assessment, released in 1988, was by far the most pessimistic prognosis on Norway's future prospects as a leading petroleum nation ever issued. But it has proved far off the mark.

The directorate then predicted that there was limited sales potential for Norway's vast natural gas resources. But it now seems that Norway's gas sales to the European continent could more than double from the present annual level of 25bn cubic metres to about 60bn-70bn cu m by the turn of the century.

About 11 per cent, or 1.13bn tonnes of the resources have been produced and sold, the directorate says, and existing production technology will allow for about 4.5bn tonnes of remaining discovered resources to be extracted. Of this, 40 per cent is thought to be oil and 60 per cent gas.

At the current annual extraction rate of 80m tonnes, oil resources will last another 45 years while gas resources will last for about two centuries at an annual production rate of 25m tonnes.

Minority group may block banana plan

By David Gardner in Brussels

THE EUROPEAN Commission was bracing itself for a potentially embarrassing upset last night, as signs emerged that a minority of European Community member states led by Germany might block the controversial agreement reached last December setting quotas and tariffs on banana imports from Latin America.

Germany and Denmark held out against the agreement in December, when it was passed by qualified majority vote. Since then, however, new objections have been raised by the Benelux countries. If all five countries combined, they would have enough strength under the EC's weighted voting system to block the measure.

The new regime, which is scheduled to be agreed by the end of this month and to start operating on July 1, fixes a 2m tonnes quota for Latin American, so-called "dollar bananas", at a reduced duty of Ecu100 (£82) a tonne, and imposes an Ecu850 tariff – about 170 per cent – on imports above this level.

Eight Latin American governments immediately expressed their "absolute rejection" of December's agreement in principle, and said they would challenge it through the General Agreement on Tariffs and Trade.

The EC move is intended to unify the community's disparate banana regime in line with the principles of its single market; protect high-cost "Euro-banana" producers from former colonies and outlying territories like Spain's Canary Islands and French Martinique; and bring its system of protection into line with the Gatt's Uruguay Round trade reform negotiations, which require tariffs on all farm produce, which subsequently can be reduced.

The EC countries hostile to the plan consume the bigger and cheaper Latin American bananas, but had been expected to go along with the plan in the light of these three exigencies.

"We hope the political commitments entered into in December still stand," said a senior official from the UK, which was then holding the presidency of the EC and so brokered last December's deal.

As community farm ministers met yesterday, the odds were nevertheless perceived to be slightly against a blocking minority coalescing.

Denmark, as current president of the EC, was expected to stay out of the dispute, since the presidency's primary goal is to conciliate. Mr Rene Steichen, the new farm commissioner, may have some influence in restraining his native Luxembourg, whose agriculture minister he was until January.

Germany, moreover, senior commission officials argue, appears under the impression that the 2m tonnes quota is semi-fixed, whereas the commission's intention is to adjust it on at least a monthly basis in line with demand.

Germany, its allies, and the Latin Americans complain, however, that the quota is well below the 2.4m tonnes of dollar fruit the EC imported in 1991, equivalent to two thirds of total consumption. There is further controversy about plans to allocate a third of dollar fruit licences to traditional Eurobanana importers, enabling them thereby to cross-subsidise their own operations.

However, Latin American imports surged by a third between 1988 and 1991, in what the commission describes as "speculative imports" by exporters positioning themselves for the EC single market, which started up last month.

Ministers were not expected to vote on the controversy until today.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,665-1,710 (1,670-1,710).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.20-2.40 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.40-0.50 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 15.50-16.00 (14.90-15.50).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 120-145 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 1.85-1.95 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.70-5.40 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 38-48 (40-50).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 1.65-1.70 (1.70-1.80).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 7.65 (7.85).

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	+7,250	to 1,635,625
Copper	+1,900	to 317,375
Lead	+00	to 233,800
Nickel	+480	to 79,818
Zinc	−450	to 532,325
Tin	−50	to 15,955

WORLD COMMODITIES PRICES

MARKET REPORT

Robuata COFFEE prices closed down heavily at the London Futura's and Options Exchange in the wake of Monday night's late 5 cent fall in the New York arabica markat. London continuad to be lasa volatile than New York, partly becausa of lower fund participation. Naw York prices fell furthar in aarly trading on renewed technical aelling, but later were recovering some of the loaaes. London dealars said the markat remeined very edgy. Technical factors wara atill driving prices, with fundamantal influancea puahad firmly into tha background. On tha LME ALUMINtUM and NICKEL prices, whlch touched respectiva five and four-week higha, gava up soma of tha gains by the closa aa tha highar levela attracted profit-taking. Dealers aaid the atrangth of both metala appaared to be technically motivated, with little newa or physical activity to juatify advances. On Nymax PALLADIUM futuraa were hovering naar life-of-contract higha at midday as widaapread worries over near-term supplies ramalned tha dominant tactor.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Mar)		+ or -
Dubai	$15.90-5.95	-.110
Brent Blend (dated)	$18.28-8.32	-.195
Brent Blend (Mar)	$18.23-8.27	-.175
W.T.I (1 pm est)	$20.03-0.07	-.125
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$193-195	
Gas Oil	$173-174	-1.0
Heavy Fuel Oil	$70-72	
Naphtha	$176-178	-2.0
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$328.18	
Silver (per troy oz)♣	369.5c	+2.00
Platinum (per troy oz)	$362.90	+2.65
Palladium (per troy oz)	$115.45	+2.05
Copper (US Producer)	104.5c	
Lead (US Producer)	33.5c	
Tin (Kuala Lumpur market)	14.97r	-0.03
Tin (New York)	269.0c	-1.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	121.11p	+2.05*
Sheep (live weight)†♠	101.73p	+7.86*
Pigs (live weight)†	81.51p	+0.48*
London daily sugar (raw)	$207.8	-0.6
London daily sugar (white)	$254.5	-5.1
Tate and Lyle export price	£255.0	+1.8
Barley (English feed)	£137.75z	
Maize (US No 5 yellow)	£165.0	
Wheat (US Dark Northern)	Unq	
Rubber (Mar)♥	69.25p	+0.50
Rubber (Apr)♥	80.50p	+0.50
Rubber (KL RSS No 1 Feb)	237.5m	-0.5
Coconut oil (Philippines)§	$440.0y	-7.5
Palm Oil (Malaysian)§	$420.0w	
Copra (Philippines)§	$282.5	
Soyabeans (US)	£184.5u	+3.5
Cotton "A" index	60.00c	-0.25
Wooltops (64s Super)	403p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Mar/Apr u-Feb/Apr. x-Aug. w-Feb/Mar z-Mar. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices * change from a week ago. provisional prices

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	183.00	179.20	179.80	178.40
May	192.00	190.00	101.00	
Aug	194.00		193.00	
White	**Close**	**Previous**	**High/Low**	
Mar	253.10	251.00	253.60	250.70
May	255.70	253.80	256.30	253.00
Aug	259.20	257.30	257.10	256.70
Oct	245.00	242.00	245.00	242.70
Dec	245.00		244.00	
Mar	246.00		243.50	
May	249.00		245.00	

Turnover: Raw 120 (7) lots of 50 tonnes. White 1085 (1541) Paris- White (FFr per tonne): Mar 1441.23 May 1470.95

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Mar	18.26	10.30	18.35	18.18
Apr	18.30	10.34	18.36	18.25
May	18.37	18.40	18.41	18.32
Jun	18.42	18.46	18.46	18.38
Jul	18.49		18.49	
IPE Index	18.39	10.52	10.39	

Turnover 34152 (31128)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Feb	169.00	170.25	170.00	169.00
Mar	170.50	171.75	171.50	170.00
Apr	169.50	170.75	170.25	169.00
May	168.75	170.25	170.00	168.75
Jun	165.50	170.20	170.00	168.50
Jul	170.25	172.00	171.50	

Turnover 16239 (11893) lots of 100 tonnes

JUTE

February/March c and f Dundee BTC $360, BWC $380, BTD $325, BWD $340, C and F Antwerp BTC $340, BWC $340, BTD $315, BWD $310.

COTTON

Liverpool- Spot and shipment sales amounted to 713 tonnes for the week ended February 5, compared with 129 tonnes in the previous week. Renewed purchasing in many specialist styles attracted much attention. CIS and American qualities as well as Tanzanian and Syrian growths moved off freely.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Mar	712	702	713	701
May	724	713	724	712
Jul	737	727	738	727
Sep	752	742	752	742
Dec	772	762	770	761
Mar	791	782	790	782
May	808	797	808	797
Jul	821	812	820	811
Sep	836	825	835	827
Dec	861		860	853

Turnover: 4702 (3717) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 8 705.10 (705.24) 10 day average for Feb 0 718.89 (724.69)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
Mar	075	927	885	864
May	873	918	873	853
Jul	858	906	864	840
Sep	864	814	671	847
Nov	874	932	878	859
Jan	890	952	897	

Turnover:8252 (2840) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 8: Comp. daily 56.20 (57.18) 10 day average 55.85 (56.18)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Apr	43.0	44.0	44.0	43.0
May	46.5	46.8	46.5	46.5

Turnover 129 (317) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Jun	147.00	146.50	147.00
Aug	148.50	147.50	148.60

Turnover 60 (197) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Feb	1345	1330	1345	1332
Mar	1065	1335	1365	1345
Apr	1345	1328	1355	1335
Jul	1160	1188	1195	1185
Oct	1351	1350	1351	1345
BFI	1309	1299	1309	

Turnover 522 (255)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Mar	143.25	143.25	143.50	143.20
May	144.60	144.95	145.00	144.00
Nov	113.45	113.00	113.45	113.18
Barley	**Close**	**Previous**	**High/Low**	
Mar	138.15	138.05	138.40	138.15
Sep	139.00		139.00	
Nov	109.00		109.00	
Nov	112.00	111.85	112.00	

Turnover: Wheat 142 (333), Barley 45 (11).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Mar	106.0	106.0	105.8
Jun	108.0		105.0
Jul	101.0		100.0

Turnover 4 (6) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 30,746 lots
Cash	1219.5-20.5	1213-4		1212.5/3.0		
3 months	1241-2	1234-5	1243/1233.5	1234-4.5	1238-7	170,522 lots
Copper, Grade A (£ per tonne)						Total daily turnover 24,922 lots
Cash	1592-3	1559.5-60.5	1563	1565-6.5		
3 months	1585-6	1580-1	1583/1577	1588.5-0.5	1580-2	156,739 lots
Lead (£ per tonne)						Total daily turnover 1,607 lots
Cash	288.5-9.5	290.5-1.0	292/291.5	288.5-90		
5 months	288.5-9.0	300-300.5	303/300	299.5-9.75	300-300.0	10,088
Nickel ($ per tonne)						Total daily turnover 10,286 lots
Cash	6110-15	6055-60	5990	6099-100		
3 months	8170-5	8118-9	0118/5950	8160-5	8105-10	43,961 lots
Tin ($ per tonne)						Total daily turnover 1,840 lots
Cash	5830-5	5835-45	5828	5830-5		
3 months	5890-5	5895-900	5900/5860	5885-90	5900-5	8,889 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 10,810 lots
Cash	1092.5-3.5	1102-4	1099.5	1096.5-7		
3 months	1112-3	1121-3	1128/1117	1115.5-6	1118-20	65,775 lots

LME Closing £/$ rate: SPOT: 1.4305 3 months: 1.4201 0 months: 1.4126 8 months: 1.4071

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	328.00-328.30	
Opening	327.60-328.00	
Morning fix	327.75	230.437
Afternoon fix	328.05	229.213
Day's high	328.40-328.70	
Day's low	327.60-328.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.15	8 months	2.15
2 months	2.10	12 months	2.22
3 months	2.18		

Silver fix	p/troy oz	US cts equiv
Spot	256.40	368.25
3 months	262.20	370.90
8 months	255.70	373.90
12 months	272.00	380.55

GOLD COINS

	$ price	£ equivalent
Krugerrand	327.50-330.50	230.00-232.00
Maple leaf	338.05-340.30	-
New Sovereign	79.50-81.50	55.00-57.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	Jun	Mar	Jun
1200	35	67	5	24
1225	19	51	14	36
1250	8	38	28	49
Copper (Grade A)	**Calls**		**Puts**	
2200	57	92	11	39
2250	27	64	30	65
2300	10	43	62	88
Coffee	**Mar**	**May**	**Mar**	**May**
850	36	58	7	36
000	8	36	31	64
950	1	22	73	100
Cocoa	**Mar**	**May**	**Mar**	**May**
675	36	64	1	18
700	10	48	8	24
725	0	34	19	35
Brent Crude	**Apr**	**May**	**Apr**	**May**
1800	60	-	36	45
1850	39	58	57	-
1900	20	39	-	-

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	329.4	328.9	329.5	329.2
Mar	329.3	328.8	0	0
Apr	329.8	329.1	329.5	329.0
Jun	330.0	330.3	331.0	330.3
Aug	332.1	331.5	332.3	331.3
Oct	333.6	333.0	0	0
Dec	335.1	334.5	335.0	334.7
Feb	336.7	336.1	0	0
Apr	338.5	337.9	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Feb	359.5	359.6	0	0
Apr	367.8	361.8	368.4	363.5
Jul	365.1	359.2	366.0	362.5
Oct	363.6	357.2	0	0
Jan	361.8	355.2	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Feb	369.3	366.0	0	0
Mar	370.0	366.7	571.0	366.0
May	372.5	369.2	573.5	370.5
Jul	374.8	371.4	575.5	372.0
Sep	377.2	373.8	378.0	375.0
Dec	380.9	377.5	382.0	378.5
Jan	381.8	378.4	380.0	380.0
Mar	385.2	361.8	386.0	384.0
May	388.0	384.6	0	0
Jul	391.0	387.6	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	99.35	100.05	99.35	99.35
Mar	99.70	100.50	100.70	99.50
Apr	100.05	100.85	0	0
May	100.35	101.10	101.25	100.20
Jun	100.60	101.40	0	0
Jul	100.90	101.55	101.80	100.00
Aug	101.00	101.75	0	0
Sep	101.20	101.95	101.80	101.65

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Mar	20.05	20.08	20.09	19.92
Apr	20.06	20.09	20.10	19.99
May	20.07	20.10	20.11	19.96
Jun	20.10	20.11	20.14	20.02
Jul	20.12	20.13	20.14	20.03
Aug	20.14	20.15	20.14	20.09
Sep	20.10	20.17	20.20	20.15
Oct	20.20	20.15	20.20	20.19
Nov	20.15	20.19	0	0
Dec	20.22	20.10	20.20	20.18

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Mar	56.35	56.70	56.60	56.20
Apr	55.95	56.41	56.20	55.90
May	55.35	55.71	55.50	55.30
Jun	55.00	55.31	55.20	54.95
Jul	55.15	55.41	55.25	55.05
Aug	55.70	55.96	55.78	55.65
Sep	56.90	57.11	56.90	56.90
Oct	58.11	58.11	0	0
Nov	58.81	58.91	0	0
Dec	58.71	58.71	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	887	878	885	869
May	818	010	924	898
Jul	945	935	950	928
Sep	873	862	975	954
Dec	1007	996	1008	985
Mar	1038	1025	1035	1035
May	1057	1945	1035	1040
Jul	1077	1066	1078	1066
Sep	1104	1093	0	0
Dec	1146	1136	1135	1110

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	59.30	57.25	60.00	54.50
May	63.85	81.80	64.10	59.20
Jul	65.80	63.80	65.00	81.10
Sep	67.00	65.50	67.90	63.30
Dec	70.80	65.60	70.50	68.00
Mar	73.00	71.15	70.50	70.50
May	75.30	73.60	73.50	73.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.15	8.00	8.20	8.06
May	8.64	8.51	8.70	8.53
Jul	8.86	8.73	5.88	8.72
Oct	8.68	8.58	8.86	8.55
Mar	8.67	8.62	8.67	8.62
May	8.72	8.68	0	0
Jul	8.79	8.75	0	0

COTTON 53,000; cents/lbs

	Close	Previous	High/Low	
Mar	60.25	61.07	61.07	59.00
May	61.10	61.67	01.00	60.00
Jul	51.95	62.82	62.80	61.70
Oct	81.00	62.42	62.55	81.65
Dec	51.10	01.37	81.55	60.75
Mar	62.60	62.12	62.55	62.00
May	62.50	62.67	0	0
Jul	63.00	63.25	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	66.00	67.45	67.00	65.45
May	70.20	71.15	71.10	65.25
Jul	72.80	74.40	74.00	72.00
Sep	77.00	77.30	77.00	75.10
Nov	79.96	80.05	80.00	78.50
Jan	83.50	83.15	80.50	82.50
Mar	86.50	85.90	86.50	84.50
May	95.25	86.00	0	0
Jul	86.25	86.00	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Feb 9	Feb 8	mnth ago	yr ago
1736.9	1750.7	1688.3	1568.5

DOW JONES (Base: Dec. 31 1674 = 100)

	Feb 8	Feb 5	mnth ago	yr ago
Spot	122.00	122.33	123.46	110.36
Futures	122.85	122.00	123.81	123.06

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	568/2	564/6	569/0	566/2
May	570/6	567/6	571/4	569/0
Jul	576/0	572/6	577/0	574/2
Aug	578/2	574/4	579/2	577/2
Sep	579/0	575/2	580/0	578/4
Nov	585/4	582/4	586/6	584/4
Jan	592/6	590/2	594/2	592/4
Mar	600/0	597/2	600/0	600/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	20.66	20.37	20.73	20.48
May	20.82	20.64	20.99	20.75
Jul	21.10	20.83	21.18	20.88
Aug	21.15	20.90	21.25	21.05
Sep	21.22	20.96	21.27	21.12
Oct	21.25	21.00	0	0
Dec	21.36	21.00	21.45	21.28
Jan	21.42	21.10	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	176.2	177.1	178.5	177.3
May	179.4	178.4	179.0	178.6
Jul	181.1	180.3	181.3	180.5
Aug	182.0	181.3	182.2	181.5
Sep	183.0	182.5	183.1	182.6
Oct	184.0	183.4	184.1	183.5
Dec	186.1	185.5	185.2	185.7
Jan	186.7	186.1	187.2	186.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	213/4	211/6	214/0	212/0
May	221/2	219/4	221/6	219/6
Jul	228/4	226/8	229/0	227/2
Sep	234/0	232/4	234/4	232/6
Dec	240/2	238/4	241/0	239/0
Mar	246/6	245/2	247/4	245/4
May	251/2	249/4	251/4	250/4
Dec	249/2	249/2	249/2	248/0

WHEAT 5,000 bu min. cents/60lb-bushel

	Close	Previous	High/Low	
Mar	36[illegible]	360/4	368/2	362/0
May	343/6	338/4	344/4	340/0
Jul	322/4	318/6	323/2	319/4
Sep	327/0	322/4	327/0	323/0
Dec	334/2	330/2	334/4	330/6
Mar	338/0	334/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	00.950	81.050	81.250	80.800
Apr	79.050	79.225	79.450	78.900
Jun	73.525	73.725	73.950	73.500
Aug	71.625	71.750	71.975	71.575
Oct	72.975	73.800	73.100	73.850
Dec	73.475	73.475	73.550	73.350
Feb	80.950	81.050	81.250	80.800

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	43.750	43.500	43.825	43.550
Apr	43.550	42.875	43.650	43.050
Jun	46.625	46.225	48.850	46.250
Jul	47.750	47.215	47.950	47.300
Aug	45.500	45.125	45.600	45.175
Oct	41.250	41.000	41.275	41.100
Dec	42.500	42.400	42.600	42.450
Feb	42.600	42.600	0	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	35.750	35.715	36.200	35.500
Mar	36.725	36.250	36.525	35.775
May	37.125	37.125	37.400	36.750
Jul	37.350	37.350	37.700	37.050
Aug	36.150	36.150	36.300	35.800

LONDON STOCK EXCHANGE

Cash call fears return to haunt shares

By Terry Byland, UK Stock Market Editor

A LONDON stock market badly unsettled by weakness in sterling and a host of corporate deals suffered a further setback in late trading yesterday on renewed fears that a large rights issue was about to hit the trading desks. Several of Britain's biggest companies, all due to report profits shortly, were named as possible raisers of equity in the £1bn-plus range.

Confidence in prospects for a further cut in UK base rates at Budget time were challenged by the continued weakness in sterling. Fears that the pound's fall implies renewed inflationary pressure were fuelled by the announcement yesterday that UK producer input prices had jumped by 1.5 per cent in the month to January, significantly more than predicted in the market.

A firm opening in equities was reversed when two UK investment houses began to sell the FT-SE March futures contract heavily. At worst the stock market showed a loss of more than 43 points on the Footsie scale.

The Dow Average fell 13 Dow points in UK hours and any benefits for UK equities from a very modest rally in sterling were blotted out by the rights issue rumours.

The FT-SE 100 Index closed 38.7 points down at 2,831.3 with selling pressure increasing at the end of the day. The FT-SE Mid 250 lost 31.6 to 3,019.8. Seaq volume increased smartly to 694.9m shares from the 545.7m of the previous session, when retail business remained brisk at a worth of £1.03bn. Non-Footsie business made up 61 per cent of Seaq trading yesterday.

Fund managers' caution on rights issue fears was heightened by the prospect of trading statements from virtually all the big Footsie names over the next few weeks. Yestsrday brought further calls on institutional cash holdings in the shape of a placing of Johnson Matthey shares following sale of part of the stake held by Charter Consolidated, and a £155m Euro convertible issue from Sun Alliance; European institutions faced a French franc convertible from Axa, the insurance group.

Taking in rights issues already announced, some £1.2bn has now been taken out of the equity market since Christmas, and managers fear that impending rights issnes alone could mean a drain of £5bn to £6bn.

Only the oils and the water stocks stood out against the general rout in share prices. Oil shares benefited from hopes that the Opec countries will agree on production cuts, while water stocks responded to hints of favourable regulatory developments.

But across the rest of the market, there were few safe havens from the profit-takers. Property, building construction and stores shares, all boosted recently on interest rate hopes, turned down smartly.

The banking sector, which opens its reporting season this week, shied away from rights issue worries. Food retailers suffered yet further selling on taxation concern and brewery stocks ran into sellers.

The outlook for this morning's opening appeared unfavourable, with the only comfort coming from the stock index futures market, where the March contract on the Footsie bounced in late trading. Much will depend on whether the stock market is spared a rights issus announcement in the first half of the trading session.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	46	505	+11
ASDA Group	3,600	59¾	−1½
Abbey National	2,100	395	−11
Albert Fisher	3,600	68	−6
Allied-Lyons	2,100	566	−14
Amstrad	431	24	
Anglian Water	431	495	
Argos	466	272	−3
Argyll Group	6,000	361	−13
Arjo Wiggins	2,400	161	−12
Ass. Brit. Foods	68	462	−13
Ass. Brit. Ports	315	363	
BAA	1,200	770	−13
BAT Inds.	3,500	976	−18
BET	1,100	101	−4
BICC	750	364	−5
BOC	1,100	736	−13
BP	12,000	271	+3½
BPB Inds.	1,600	210	−3
BT	5,300	416	−1½
BT New	3,600	310	−1½
BTR	3,600	590½	−4½
Bank of Scotland	1,600	137½	−2
Barclays	9,900	422	−12
Bass	2,400	616	+2
Berisford Int.	134	130	
Blue Circle	2,600	210	−4
Booker	117	416	−6
Boots	1,800	490	−13
Bowater	712	465	−6
Brit. Aerospace	2,900	261	−6
British Airways	4,700	290	−1
British Gas	5,200	283½	−6½
British Land	1,100	227	−1
British Steel	9,400	75	−2
Bunzl	1,000	136	−1
Burmah Castrol	164	703	−13
Burton	2,600	73	
Cable & Wire.	2,200	721	+4
Cadbury Schweppes	1,100	461	−4
Calor Group	1,200	253	+7
Carlton Comms.	2,200	750	−19
Coats Viyella	1,900	232	−3
Comm. Union	725	526	−22
Cookson	658	206	−4
Courtaulds	1,000	582	+2
Dalgety	362	476	−3
De La Rue	221	100	−7
Dixons	2,700	276	−4
Eastern Elect.	305	432	+1
East Midland Elect.	1,600	484	−1
Eng China Clays	836	465	−6
Enterprise Oil	2,500	474	+6
Eurotunnel Units	534	460	−8
FKI	734	120	
Fisons	2,300	330	−1
Forte	6,000	100	+2
Gen. Accident	1,900	665	−6
General Elect.	1,400	296	−3
Glaxo	4,900	660	−14
Glynwed Int.	270	281	−6
Granada	2,000	346	−6
Grand Met.	4,400	444	−13½
GUS A	201	1603	−23
GRE	1,700	178	−3
GKN	666	466	−11
Guinness	3,600	476	−6
HSBC (75p shs)	2,800	576	+2
Hammerson "A"	816	266	−2
Hanson	8,300	257½	−2¼
Hanson Warrants	1,800	30½	−¼
Harrisons Crosfield	563	167	−1
Hillsdown	1,200	144	−4
IMI	664	279	−6
ICI	3,400	1171	−4
Inchcape	542	576	−2
Kingfisher	2,100	628	−8
Kwik Save	2,100	705	−2
Ladbroke	1,300	206	−8
Land Securities	2,000	485	−1
Laporte	625	657	+2
Legal & General	646	445	−11
Lloyds Abbey	730	441	−1
Lloyds Bank	2,400	517	−17
LASMO	4,600	170	+2
London Elect.	561	438	−4
Lonrho	506	73	+½
Lucas	142	145	−4
MB Caradon	2,600	305	−7
MEPC	1,600	374	−3
Manweb	462	484	−2
Marks & Spencer	4,200	334	−6
Midlands Elect.	398	462	−6
Morrison (Wm.)	3,200	156	−4
NFC	619	267	−8
NatWest Bank	7,200	432	−9
National Power	3,300	285	−4
Next	1,400	143¼	−2½
North West Water	922	491	+6
Northern Elect.	384	467	+1
Northern Foods	1,200	251	−6
Norweb	219	474	−4
Pearson	502	361	−13
P & O	1,200	663	−7
Pilkington	4,300	107	+½
PowerGen	2,200	266½	−6½
Prudential	3,200	326	−6
RMC	132	581	−19
RTZ	2,300	673	−6
Racal	2,100	145	−6
Rank Org.	1,100	711	−7
Reckitt & Colman	411	617	−8
Redland	943	450	−19
Reed Intl.	1,000	584	−6
Rentokil	584	214	−5
Reuters	1,900	1382	−15
Rolls Royce	656	128	−4
Rothmans	276	524	−16
Ryl Bk Scotland	2,600	251	−6
Royal Insurance	6,500	260	−11
Saatchi	202	165	
Sainsbury	7,300	520	−18
Scottish & New.	411	438	−7
Scot. Hydro-Elect.	2,000	247	+1½
Scottish Power	2,100	224	−8
Sears	1,500	102	−1
Sedgwick	1,100	178	−1
Seeboard	738	471	−1
Severn Trent Water	3,200	463	+3
Shell Transport	1,600	595	−1
Siebe	1,000	436	−6
Slough Ests	943	100	−3
Smith (W H) A	566	420	−6
Smith & Nephew	1,900	151½	−2
SmKl Beecham	4,600	448½	−15½
SmKl Beecham Uts.	2,100	389	−15
Smiths Inds.	700	371	−4
Southern Elect.	1,600	492	
South Wales Elect.	478	593	−2
South West Water	614	518	+4
South West. Elect.	143	467	−1
Southern Water	690	492	+3
Standard Chartd.	330	610	−15
Storehouse	8,900	194	−11
Sun Alliance	6,000	333	−9
T&N	736	179	−3
TI Group	1,400	313	+5
TSB	5,900	162½	−3½
Tarmac	3,400	113	−1
Tate & Lyle	329	408	−6
Taylor Woodrow	753	77	−1
Tesco	1,400	234	−4½
Thames Water	1,800	504	+1
Thorn EMI	669	865	
Tomkins	1,400	249	−3
Trafalgar House	2,500	49½	−½
Unigate	557	331	+4
Unilever	1,100	1148	−7
United Biscuits	363	362	−11
Utd. Newspapers	592	540	−1
Vodafone	919	390	−6
Warburg (SG)	240	800	−13
Wellcome	873	895	+10
Welsh Water	613	552	+11
Wessex Water	439	597	+7
Whitbread 'A'	700	475	−8
Williams Hldgs.	943	342	−2
Willis Corroon	2,500	191	−4
Wimpey	30	138	−4
Wolseley	1,100	665	−19
Yorkshire Elect.	384	463	+1
Yorkshire Water	605	536	+8

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:		
Feb 1	Feb 15	Mar 1
Option Declarations:		
Feb 11	Feb 25	Mar 11
Last Dealings:		
Feb 12	Feb 26	Mar 12
Account Day:		
Feb 22	Mar 8	Mar 22

*New time dealings may take place from 8.30am two business days earlier.

Charter deal welcomed

IN A POOR session in the market, the spotlight fell on the day's biggest deal, in which industrial group Charter Consolidated finally offloaded its 38.3 per cent holding in metals refiner Johnson Matthey.

The deal was executed in two parts. A 20 per cent stake was sold to a company jointly owned by Johannesburg Consolidated Investment and Minorco. In an unexpected move, the remaining 18.3 per cent was quickly placed in the market with institutions by BZW and UBS Phillips & Drew. The two securities houses were reported to have paid 455p a share and passed the stake on at 456p.

Turnover in Johnson Matthey jumped to 66m as the stock dropped 19 to 473p, while Charter followed the market lower and closed 28 down at 656p.

Mr Rob Davies at Lehman Brothers said: "This is a good deal for Charter. In addition, it not only removes the uncertainty over Johnson Matthey but also increases the liquidity in the stock."

Following the sale, speculation about how Charter was to use the proceeds of the deal did the rounds. One view was that it may buy out the 35.8 per cent stake in Charter held by Minorco. Another view was that it may bid for engineering group Vickers, 2 firmer at 124p.

Storehouse falls

Hints that the chief executive of Storehouse might be about to leave the group sent the shares into swift retreat amid unusually heavy turnover of 8.9m.

The rumours in the UK market appeared to centre on an article in a US trade magazine which suggested that Mr David Dworkin had been approached by Carter Hawley Hale, the Los Angeles-based store chain. Storehouse refused to comment although a statement is expected today.

The shares fell heavily, slipping 17 before recovering to close 11 off at 194p. Stores specialists said that if true, the news would spell an uncertain time for the sharss, which have staged a dramatic recovery, climbing from 85p in January last year.

Mr Dworkin is credited with having turned Storehouse around and analysts said finding a comparable executive replacement would be difficult.

Wellcome firm

Pharmaceuticals group Wellcome was one of the rare bright spots in a depressed FT-SE 100 Index as two securities houses recommended the stock. The shares held firm all day and closed 10 higher at 895p.

Mr Robin Gilbert of broking house Panmure Gordon issued a 16-page analysis highlighting Wellcome as the key buy in the sector.

He said Zovirax, the group's anti-herpes drug, and Retrovir, its anti-Aids treatment, were the only two headline drugs in the sector which were cheaper in the US than in Europe. Consequently, they were less likely to come under pressure from the Clinton administration, which has promised to attack the whole area of drug pricing.

Also, US house Lehman Brothers was advising its clients to switch out of SmithKline Beecham, arguing that Wellcome was cheaper in price/earnings terms. SmithKline "A" fell 15½ to 448½p and the Units 15 to 389p.

Waters wanted

The water sector moved sharply higher just before the close after suggestions that Ofwat, the water industry watchdog, is about to tell the water companies that increased efficiency in their core businesses could be passed on to shareholders via dividend payments. But, utilities specialists pointed out, insfficient companies would have their dividend payouts restricted.

Talk that letters confirming Ofwat's efficiency/dividend strategy will be received by the water companies today saw the sector substantially outperform the wider market.

Welsh Water was seen as a prime beneficiary of the move and raced up 11 to 552p, closely followed by Wessex Water, which settled 7 better at 597p; Wessex nil-paid closed 6 firmer at 113p. Other good performances in the sector came from Southern, 5 up at 492p, and Northumbrian, 4 harder at 566p.

US sells Reuters

US analysts took a harder view on the full-year figures from Reuters Holdings than their UK colleagues and early firmness in the stock was undermined when Wall Street opened. Reuters profit of £382.2m was so close to UK analysts' forecasts that the share price gave virtually no response.

The chief executive's statement, traditionally cautious was relatively upbeat and the market liked the near 25 per cent rise in the dividend. Early indications suggested forecasts for this year would rise to between £430m and £440m. The shares were marginally higher at one stage but US analysts's had been expecting more from the results and US selling took the London price to a close of 15 off at 1382p.

The financial areas of the market remained among the market's favourites to provide the next heavy rights issue. Lloyds Bank assumed the role of the bank most likely to ask shareholders for cash and dipped 17 to 517p.

Sun Alliance's £155m convertible bond issue lifted lingering fears of a rights issue but did not prevent the shares easing 9 to 333p. Commercial Union (CU) remained the sector favourite to launch a fund raising attempt and the shares lost 22 more to 526p. Specialists said the 11¼ per cent and 8¾ per cent yields on CU's two tranches of preference stock issued last year were looking demanding and could be replaced with equity capital.

The prospect of a broad agreement on output cuts at this weekend's Opec meeting prompted another strong performance from an oil sector hoosted by another slids in sterling.

British Gas dipped 6½ to 283½p, unsettled by the Ofgas annual report, and profit downgrades instigated by Hoare Govett, the company broker. Hoare cut its 1992 net income estimate to £865m and its 1993 figure to £980m, in spite of emphasising its positive stance on the stock.

Aran Energy was the market's second heaviest traded stock with over 14m shares changing hands. Smith New Court was responsible for most of the buying after publishing a strong buy recommendation. Aran closed 2¼ up at 23½p.

Tobacco and insurance group BAT Industries led the downward trend as S.G. Warburg Securities nudged back its stance on the shares. The stock hit 967p before rallying to close 18 off at 976p.

Further speculation over the terms and conditions of the Kingfisher bid for Darty, the French electrical retailer, left the market none the wiser. Yesterday's focus was again on the level of the rights issue that will be required to finance any offer, with a variety of rumours circulating. The strongest suggested an announcement was imminent over a 1-for-12 call at 480p. All combined to weaken the shares, which had performed well in recent sessions as fears of £1bn issus were scaled down. The shares closed 5 adrift at 586p.

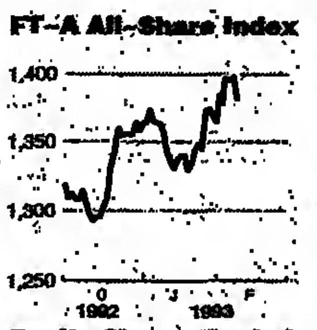
Another bid target, Clifford Foods, added 2 to 515p, while one of its rumoured predators, Unigate put on 4 to 331p. A line of 5m in Albert Fisher was said to have unsettled the shares, off 6 at 68p.

Shares in Hunting jumped 13 to 233p after the company announced the sale of its protective coatings subsidiary to Williams Holdings. Mr Clive Forrestier-Walker at Charterhouse Tilney said the deal would, enhance profits at Hunting substantially over the next two years. Williams closed 2 higher at 342p. British Steel continued busy and turnover rose to 9.4m as the shares closed 2 down at 75p.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo, Peter John,
Steve Thompson.

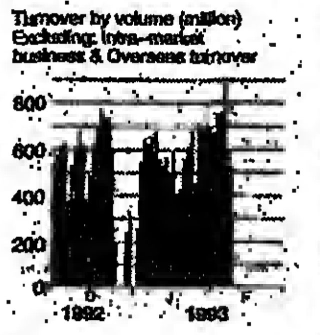
■ Other market statistics, Page 20

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1992/93

[illegible]

FINANCIAL TIMES EQUITY INDICES

	Feb 9	Feb 8	Feb 5	Feb 4	Feb 3	Year ago	High	Low
Ordinary share	2194.0	2226.1	2218.6	2218.9	2225.7	1984.2	2226.1	1670.9
Ord. div. yield	4.31	4.25	4.26	4.26	4.26	4.65	5.34	4.23
Earning yld % full	5.87	5.79	5.82	5.83	5.80	6.91	-	-
P/E ratio net	21.72	22.01	21.89	21.87	21.96	18.14	22.01	15.79
P/E ratio nil	20.04	20.30	20.19	20.17	20.25	17.11	-	-
Gold Mines	81.6	78.9	79.9	79.3	81.1	141.9	150.6	60.8

*for 1992/93. Ordinary share index since compilation: high 2226.1 8/2/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2224.8	2219.3	2213.1	2204.1	2200.4	2198.1	2195.5	2189.3	2192.0	2225.8	2186.7

Volume	Feb 9	Feb 8	Feb 5	Feb 4	Feb 3	Year ago
SEAQ Bargains	34,101	36,886	35,741	41,764	34,779	28,392
Equity Turnover(£m)†	-	1026.2	1474.6	2141.3	1736.5	768.7
Equity Bargains†	-	41,077	40,997	47,709	40,201	28,172
Shares traded (mil)†	-	526.5	605.2	889.3	769.0	368.4

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100 2831.3 −38.7 | FT-SE MID 250 3019.8 −31.6 | FT-A ALL-SHARE 1381.38 −17.25

[illegible]

Hourly movements

[illegible]

FT-SE Actuaries 350 Industry Baskets

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

OTHER FIXED INTEREST

[illegible]

Continued on next page

EQUITY FUTURES AND OPTIONS TRADING

CONTINUED speculation about a big rights issue, coupled with a poor outlook for the UK economy, led to consistent selling in the futures, writes Joel Kibazo.

Signs of what lay in store for the rest of the session were much in evidence when trading in the March contract on the FT-SE opened 5 points below Monday's close of 2,869.

Independent traders started selling the contract right at the start of business as the talk of an impending rights issue intensified. They were later joined by two of London's leading securities houses. The continued weakness of sterling and a mixed set of economic data not only sent March falling further but also helped to pull the underlying cash market lower.

The afternoon only brought more selling as dealers focused on a poor Wall Street opening, and the contract fell to the day's low point of 2,813 half-an-hour before the close.

It was then that short covering by several traders led to a turnaround in the fortunes of March and it recovered some of the earlier drop. It ended at 2,833, a fall of 41 from Monday's close. Strong arbitrage activity throughout the session resulted in good turnover of 12,092 lots.

The traded options saw volume of 35,247 contracts, of which 11,292 were dealt in the FT-SE 100 option contract and 2,783 lots in the Euro-FT-SE 100 contract. British Steel was the most active stock option.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or –	1992/93 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs	h	18⅞xd	–⅛	21¼	14⅝	15,796	2.2
Allegheny & W	♥	816p	–8	822p	236p	287.3	4.0
AmGold		590p	+24	1158p	439p	636.6	1.2
Amer Cyanamid		37⅛	+⅛	38⅝	26⅝	3,347	3.1
Amer Express		17¾xd	+⅞	17¾	10⅞	8,484	3.9
Amer T & T		38xd	+1	38	30⅛	50,536	2.4
Ameritech		61	+⅝	61½	32½	22,329	5.0
BankAmerica		37¼xd	+½	37¼	10⅞	12,834	2.8
Bankers NY		48⅝xd	+1⅞	48⅝	28⅞	3,917	4.4
Bell Atlantic		37	+¼	37⅛	23⅞	16,077	4.8
BellSouth		38⅝	—	37¼	25	18,879	5.2
Bethlehem Steel	♥	13⅞xd	–⅛	13¼	5¼	1,227	–
Bowater		1682pxd	+32	1682p	905p	609.5	4.9
CPC	h	32⅞xd	+⅞	34	32⅞	4,888	2.5
Cadiz Land Inc	♥	116p	—	342p	108p	–	–
California Engy		1402p	—	1417p	591p	255.2	–
Chase Manhattan		22¼xd	+⅝	32¼	9⅝	3,419	3.7
Chrysler		28½xd	+⅞	28½	6¼	6,345	1.4
Citicorp		18½xd	+⅞	18½	5⅜	6,717	–
Colgate-Palm		42⅞xd	+1	43¼	25¼	6,775	5.0
Cont'l Bank		1691p	+6	1691p	489p	1,706	2.4
Dana		34⅞xd	+1	34⅞	14⅞	1,585	3.3
Data General		822p	—	1094p	394p	226.8	–
Decora Inds	♥	149p	—	149p	66p	–	–
Dun & Brad		40⅝	—	49⅝	27⅝	7,282	5.0
Eaton		57¼	+⅞	57¼	32½	1,079	2.7
Echlin		18⅝xd	+⅛	18⅝	7⅛	1,058	5.0
FPL		26⅞xd	+⅞	28⅞	17⅞	4,871	8.4
Ford Motor		35¼	+⅞	35¼	13	17,206	2.0
Gen Elect		61¼xd	+1⅞	61¼	36⅛	52,308	5.0
General Host	♥	718p	+21	718p	360p	–	3.4
[illegible]							

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

	Notes	Price	+ or –	1992/93 high	low	Mkt Cap£m	Yld Gr's	P/E
Tilton		[illegible]						
Travis Perkins		[illegible]						
Tudor		[illegible]						
Unigroup		[illegible]						
Waterhouse		[illegible]						
Wickes		[illegible]						
Wolseley		[illegible]						

BUSINESS SERVICES

	Notes	Price	+ or –	1992/93 high	low	Mkt Cap£m	Yld Gr's	P/E
ADT $		[illegible]						
Adams & Harvey		[illegible]						
Air London		[illegible]						
African Lakes		[illegible]						
Asso'ted Sc		[illegible]						
BET		[illegible]						
BMB Res		[illegible]						
BPP		[illegible]						
Barbour Ind		[illegible]						
Boustead		[illegible]						
Bridgend		[illegible]						
Brit Data M		[illegible]						
Brooks Serv		[illegible]						
CRT		[illegible]						
Capita		[illegible]						
Cashet		[illegible]						
Chiltern Ca		[illegible]						
Christie Gr		[illegible]						
[illegible]								

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

Authorised by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or –	1992/93 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv	♣□	196	–3	209	147	3.1	232.6	15.7
Warrants	□	44	–1	49	21	–	–	–
Scot Mortgage	♣†□	193½	–3	196½	135	2.7	220.3	12.2
Scot National Inc	♣N□	94½	—	107	65¾	10.8	–	–
Cap	□	31	–1	42	12½	–	58.3	82.9
Stepped Pf		155¼	—	155½	128	5.2	–	–
Zero Div Pf		209½	–1	212	168½	–	–	–
Warrants		4	—	0	3	–	–	–
Scot Value	†a	77½	+½	77½	48	3.1	75.9	–1.8
Sec Alliance	♣	1490	–15	1493	1066	3.3	1615.5	8.4
Second Consold	□	160	—	163	88	–	169.5	47.2
Second Market		291	+3	291	222	0.7	331.1	12.3
Sec Tst Scot	♣□	82½	–1	83½	61	5.3	84.1	2.2
Select Assets		124	—	129	78½	1.3	170.8	27.8
Eq Ind Seri		132	—	133	106	4.3	–	–
Eq Ind Seri		132	—	133	106	4.3	–	–
SHIRESCOT		121	–1	123	98	5.8	120.2	–1.5
Shires	♣	238	–2	262	188	9.5	240.2	–7.8
11pc Cv Ln '03/04		£131½	+1	£131½	£95½	8.4	–	–
Siem Select		127	+1	127	80	0.3	160.7	21.8
Warrants		33	—	23	18	–	–	–
Smaller Cos	□	98	—	00	58	3.4	96.0	–1.5
Warrants		24	–1	28	18	–	–	–
Sphere Inc	N□	17½xd	–1	28	9½	23.6	30.4	39.2
Zero Div Pf		84¼	–½	86¼	63¼	–	–	–
Sumit		43	—	58	30	3.8	93.4	54.0
TR City of Lon	□	134	–2	137	97½	4.7	128.2	–4.3
TR Euro Growth	♣□	82	+1	80	70	2.0	109.5	16.5

MINES - Cont.

	Notes	Price	+ or –	1992/93 high	low	Mkt Cap£m	Yld Gr's
Feltrim IE	‡‡	3½#	—	4⅝	1⅞	0.39	–
Glencar Expl IE	‡‡	7	—	18	6	1.29	–
Greenwich Res	□	5⅞	—	11	2	4.05	–
Harmo Gold CS		£4¼	+½	£5½	23½	409.7	2.4
Ivernia West IE	‡‡□	38	–3	68	30	19.1	–
Kells Mins IE	‡‡	8	—	42	0	8.14	–
Kenmare	※□	8	—	8	2¼	7.88	–
Malinga Res		25½	–½	40	9	2.48	–
Navan Res IE	§	30½	+6	34	18	4.09	–
5pc Ln Notes		30½	+6	30½	28	5.55	–
Oryx Gold		49⅝	—	103	46¾	–	–
Plateau		3#	—	73	3	1.37	–
RTZ	□	673	–6	698	489	6,750	8.0
Vizcaya	※□	2	—	8	1	1.61	–

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Top Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ɸ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ※ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
2 Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
J Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xl ex capital distribution.

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AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	178.5	172.2	181.4	+2.0	0.00
AIB Grofund Equity	4	204.4	207.3	219.3	-2.1	3.52
AIB Grofund Euro	5	160.2	160.8	171.1	+1.00	0.52
AIB Grofund Eqt Balanced	1	103.6	105.5	108.8	+2.40	2.13
AIB Grofund Gilt	3	75.93	75.93	78.27	-0.09	5.67
AIB Grofund Japan	5	132.9	133.9	140.9	+3.70	0.60

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corporation St, Coventry 0203 553231

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
General Inc	5	413.2	413.9	440.4	-4.0	2.70
General Acc	5	448.9	450.8	479.6	-4.3	2.70
UK Growth Acc	6	300.7	304.9	324.9	-3.9	3.04
UK Growth Inc	6	215.6	218.4	232.5	-2.9	3.04
Higher Inc Acc	6	536.0	544.0	578.8	-5.0	4.21
Higher Inc Inc	6	330.7	335.6	357.1	-3.5	4.21
Gilts/F'xd Int Acc	5½	171.8	171.8	181.3	-0.4	6.64
Gilts/F'xd Int Inc	5½	92.54	92.54	97.73	-0.19	6.64
Nth America	6	276.1	282.0	300.0	+1.2	0.60
Far East	9	253.5	253.5	269.7	+3.5	0.28
Europe	6	214.9	214.9	228.6	+0.2	1.29
Brit Ex'FII	6	61.13	63.13	66.10	-0.01	3.04
Brit Fndmtls Acc	6	01.25	01.25	60.44	-0.94	5.25
Brit Fndmtls Inc	6	63.78	63.78	67.86	-0.73	5.25
Global Opps	6	69.04	69.04	75.45	+0.40	0.60

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
5 Jts & Fixed Inc	6	128.9	128.6	136.4	–	6.96
High Inc Equity	6	145.4	148.3	157.7	-0.K	5.39
Worldwide Bond	6	268.4	268.4	284.5	+4.4	4.39
American Growth	9	307.0	307.0	328.3	+3.2	.44
Asian Pacific	6	205.9	210.0	223.3	+4.1	.86
Assets & Earnings	6	219.4	223.6	237.8	-1.3	2.84

Britannia Life Unit Managers Ltd (1200)F
50 Bothwell Street, Glasgow G2 6HR 041-223 6020

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Balanced Growth	6	91.70	92.69	99.14	-0.90	2.39
Do (Accum)	6	100.12	101.20	108.24	-0.98	2.39
Smaller Cos	6	73.43	77.14	82.50	-0.15	1.81
Do (Accum)	6	81.54	83.41	89.21	-0.16	1.81
Higher Yield	6	36.66	77.06	79.64	-0.35	4.52
Do (Accum)	6	50.01	50.56	54.00	-0.47	4.52
American Gth Inc	6	04.77	59.85	64.01	+0.32	0.29
Do (Accum)	6	60.86	60.98	65.22	+0.32	0.29
European Growth	6	95.57	95.80	102.46	+0.38	1.78
Do (Accum)	6	96.46	96.69	103.41	+0.40	1.40
Global Bond Inc	5	29.75	29.76	31.57	+0.21	5.78
Do (Accum)	5	36.56	36.57	38.79	+0.28	5.78
Managed P'folio Inc	6	34.24	34.09	36.65	-0.01	1.54
Do Accum	6	34.33	34.39	36.70	-0.01	1.54
Pacific Growth Accum	6	86.79	87.53	93.62	+1.10	1.17
Intl Spec Opps Accum	6	84.53	85.48	91.42	+0.03	1.09

Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412262

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Mngd P'folio Inc	5	91.94	91.94	97.92	+0.51	2.12
Mngd P'folio Acc	6	172.1	172.1	183.3	+0.90	–
UK General	5	146.6	146.6	156.1	-0.40	3.25
Com & General	6	19.34	19.34	20.69	+0.01	5.06
European Inc	5	22.83	22.83	24.58	+0.43	0.46
European Acc	6	23.50	23.50	25.38	+0.44	–
Financial	6	111.1	111.1	118.3	-0.98	3.76
Foundation	9	71.21	75.01	77.75	-0.70	3.61
German	6	41.98	41.98	45.02	+0.97	0.09
Growth Inc (5-1)	5	27.76	27.76	29.64	-0.18	3.12
Growth Acc (5-1)	5	32.33	32.33	34.91	-0.21	–
High Income	6	71.00	72.83	76.00	-0.31	7.00
Income	6	121.1	124.0	132.1	-0.70	4.39
Intl Income	6	09.54	09.54	95.36	+0.44	5.06
Intl Growth 5	6	33.64	33.64	30.83	+0.33	0.22
Monthly Income	5	67.38	69.30	73.80	-0.38	4.56
North American	6	113.5	114.6	122.1	+1.70	0.18
Orient	6	99.42	99.42	107.0	+1.10	–
Recovery	6	34.59	36.28	39.00	....	3.03
Smaller Cos Acc	6	241.9	257.3	274.1	-2.00	–
Smaller Cos Inc	9	141.4	150.7	160.9	-1.20	1.43

Brycourt Unit Tst Mgmt Ltd (1400)F
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382

Guide to pricing of Authorised Unit Trusts
Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 - 379 - 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin. 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries 0277 227300 Dealing 0277 261010						
European	5	108.50	109.10	114.80	+0.60	1.40
Intl Bond & Conv	5	124.80	125.10	131.70	+1.20	5.99
Pooled Pension $	7	146.9	150.7	161.0	...	-
Smaller Cos	5	61.03	62.82	66.13	+0.07	1.98
UK General	5	115.40	117.10	123.30	-1.00	2.77
Sheppards Unit Trust Magmt Ltd (1200)F						
1 White Hart Yard London Bridge SE1 071 407 5966						
Income	5	384.45	384.45	408.99	-3.97	5.06
Global Inc	5	57.5	57.5	61.17	+0.10	3.99
Brit Leaders	5	311.53	311.53	331.41	-3.39	3.09
Intl Leaders	5	187.79	187.79	199.70	1.15	1.65
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	52.32	52.42	70.77	+0.32	1.38
Far Eastern Tst	6	56.66	57.56	61.24	+0.90	0.83
Smaller Cos	5	139.1	143.5	152.7	+0.6	2.18
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St. London W1A 3AS 071-637 5377						
S & W American $	5	201.9	282.4	298.8	-0.50	0.93
S & W Capital	5	115.1	115.1	123.3	+0.10	1.82
S & W Cash $	0	102.31	102.31	102.31	+0.04	6.18
S & W European	5	114.4	114.5	121.1	+0.50	0.91
S & W Far Eastern	5	115.7	117.0	123.7	+0.90	0.80
S & W Growth	5	123.0	124.5	131.7	+0.40	1.41
S & W Income	5	109.3	110.5	116.9	+0.30	5.18
S & W Magnum	5	122.5	122.3	131.1	+0.70	1.70
S & W Smllr Secs	5	296.4	303.0	320.5	+0.80	0.72
S & W Thoroughbred	5	141.0	141.0	151.2	+0.80	1.64
Societe Generale Touche Remnant (1200)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-410 4029						
American Grwth	5¼	86.43	86.43	92.43	+0.14	0
Eur Sp Sits Acc	5¼	44.70	44.70	47.49	+0.23	0
Eur Sp Sits Inc	5¼	42.22	42.22	44.85	+0.22	0
Far East Opps Inc	5¼	28.97	28.97	31.22	+0.27	0
Far East Opps Acc	5¼	29.77	29.77	32.00	+0.27	0
General Growth	5¼	96.10	96.10	103.00	-1.10	0
General Growth Acc	5¼	98.53	98.53	105.60	-1.10	2.43
Global Tech	5¼	125.30	125.30	135.10	+0.70	0

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2¼	95.51	95.51	95.72	+1.13	0.00
Short Dte Gilt	1¼	109.4	109.4	110.8	-0.20	4.47
U S. Govmnt Bond	1¼	8.7089	8.7089	8.7181	[illegible]	0.00
Gilt Income	4	51.87	51.87	55.97	-0.08	8.00
Gilt Growth	4	64.52	64.52	67.15	-0.09	0.00
City Reserve	0	52.11	42.11	52.11	...	6.23
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0705 388046						
Stockmarket Fd F	5	64.62	64.79	68.92	-0.90	2.19

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int'l Exp Feb 3	672.2	694.21		1.00
Baring Investment Magmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071 214 1050 (general enquiries) 071 214 1004 (dealing)				
Charitable Funds				
UK Growth & Income	53.62	55.50	+1.26	4.9
Income Plus	49.58	30.60	+0.44	7.5
James Capel Fund Managers Ltd				
European Exempt	£110.587	111.841	+0.121	2.99
Japanese Exempt	£111.553	113.256	+1.879	-
Managed Exempt	£127.417	134.735	-1.145	3.22
North American Exempt	£107.13	109.003	+0.337	1.10
Pacific Exempt	£108.878	112.348	+1.414	5.04
Cent. Bd. of Fin. of Church of England				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Jan 31	585.80	595.20	+4.60	5.04
Fxd Int Sec Jan 31	133.10	153.85	+1.15	9.70
Deposit Fund: See Money Market Trust Funds				

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call 071 925 2128.

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

The yen returns to the stage

The Japanese yen enjoyed a remarkable rally against both the D-Mark and the dollar yesterday after months of almost dormant trading, *writes James Blitz.*

The cause of the rally was growing speculation that G7 policy-makers might call for a stronger yen to try and reduce Japan's huge trade surplus vis-a-vis the US.

Two specific incidents triggered the flight into the Japanese currency. The first was a Japanese newspaper report, which could not be substantiated, suggesting that the European parliament had expressed concern the yen was undervalued against the dollar.

Reports that Mr Lloyd Bentsen, the US Treasury Secretary, would have a weekend meeting with Mr Yoshiro Hayashi, the Japanese Finance Minister, also raised speculation that the Clinton administration would like to see a stronger yen.

The yen closed at Y73.42 against the D-Mark after a previous close of Y74.91. Against the dollar, it closed at Y121.2 against a previous close of Y124.0.

In Europe, sterling continued to dominate events, falling to a historic low against the Exchange Rate Index and testing the all-time low against the D-Mark of DM2.3470.

For the second day running, the currency was the victim of a heavy sell-off in the morning, only part of which was retraced in the afternoon.

At about 7.45am in London yesterday, the pound was trading at about DM2.3775 against the D-Mark. Over the following two hours the pound's exchange rate against the D-Mark described a sharp fall, bottoming out at DM2.3480 at around 9.30am.

The currency recovered around a pfennig over the next hour, but was again hit by the release of the January input prices data. This showed that the the cost of raw materials purchased by manufacturers rose a seasonally adjusted 1.5 per cent between December and January.

Sterling later closed in London at DM2.3625, down a net 2 pfennigs on the day and 8.25 pfennigs on the week so far. In trading yesterday, the pound hit its lowest level against the dollar this year, $1.4150, before closing at $1.4305, down nearly a cent on the day.

Some said the pound's loss of value was exaggerated by the thinnass of the market, although there were signs of heavy selling by institutions from the US and Middle East. Few dealers could make a firm bet on how the currency would move in the next few days.

Sterling's fall was partly triggered by a perception that German rates were unlikely to come down by much at today's weekly Bundesbank intervention.

"We can expect a lowest accepted repo of 8.50 per cent at the very best," said one dealer, recalling that last week's rate was 8.57 per cent.

The duller sentiment was felt by the French franc which closed at FFr3.3850 from FFr3.3810.

£ IN NEW YORK

Feb.9	Latest	Previous Close
£ Spot	1.4275-1.4285	1.4385 1.4395
1 month	0.36-0.35pm	0.38 0.37pm
3 months	1.04-1.01pm	1.06 1.04pm
12 months	2.72-2.62pm	2.75 2.65pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Feb 9	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	142.150	138.363	-2.66	3.31	47
Portuguese Escudo	180.624	176.282	-2.40	3.05	40
Irish Punt	0.809996	0.799715	-1.27	1.85	56
Dutch Guilder	2.20045	2.19037	-0.46	1.02	21
D-Mark	1.95294	1.94629	-0.34	0.90	20
Belgian Franc	40.2802	40.1986	-0.20	0.76	5
Danish Krone	7.44934	7.45306	0.05	0.51	-4
French Franc	6.54988	6.58630	0.56	0.00	-33

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

*Floating rate. Iran Official rate:£98.50 $64.30

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10; Lira per 1,000; Belgian Fr. per 100; Pesetas per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

BASE LENDING RATES

[illegible]

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

Few hopes for repo

SENTIMENT in both the French and German money markets remained dull yesterday as dealers assumed that another cut in German interest rates might still be some way off, *writes James Blitz.*

The Bundesbank announced that tomorrow's weekly intervention in the German money markets will be by means of variable rate repos for 14 and 28 days.

UK clearing bank base lending rate 6 per cent from January 26, 1993

But call money yesterday hovered around the level of 8.60 per cent, suggesting that few dealers expected the lowest accepted bid for funds to fall below the current level of 8.57 per cent.

"There may be a few points off the repo rate," said on London-based dealer, "but I'd be very surprised if it were much more than that."

Last Thursday, the Bundesbank's announcement that it would be holding a press conference after its fortnightly council meeting brought out the rate cut bulls, forcing 3-month D-Marks below 8 per cent and the March Euromark contract as high as 92.30.

But yesterday, both instruments were back to where they were before the rate cut announcement. Three month money closed at 8.32 per cent and the March contract closed at 92.02, suggesting that 3-month money next month will be at 7.98 per cent. One dealer suggested that this was proving to be a stable level for the contract.

Sentiment in the French market remained dull. One month French francs crept up to 11.75 per cent on the bid side in the early morning, and remained there for the rest of the day. Three-month rates were also at that level for most of the day.

The March French franc contract continued to be sold heavily, falling 34 basis points on the day before recovering to a close of 88.87.

Three month sterling cash firmed to 6⅜ per cent from 6¼ per cent as sterling slipped on the foreign exchanges.

The March sterling contract fell 7 basis points to a low of 94.10 on the day before closing at 94.17. At this level, it assumes that 3-month money at budget time will be at 5.83 per cent.

Conditions in the discount market were a great deal easier after a sticky day on Tuesday. The Bank of England forecast a shortage of £1.1bn at the start of the day, which was completely removed. The overnight rate was seen as low as 2 per cent at around 10am.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

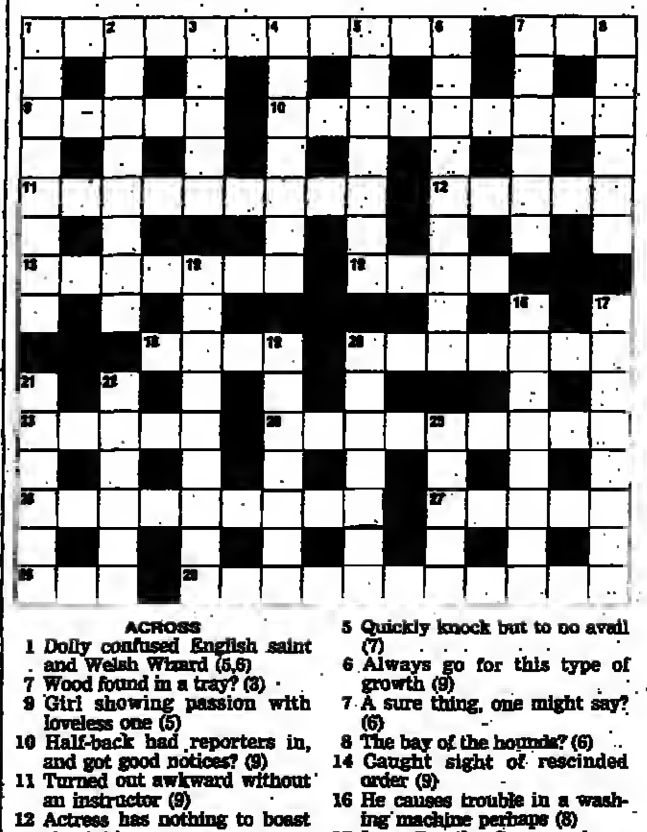
[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

No.8,073 Set by DANTE



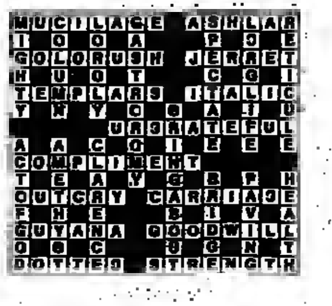
ACROSS

1 Dolly confused English saint and Welsh Wizard (5,6)
7 Wood found in a tray? (3)
9 Girl showing passion with loveless one (5)
10 Half-back had reporters in, and got good notices? (9)
11 Turned out awkward without an instructor (9)
12 Actress has nothing to boast about (5)
13 It could make me a lord (7)
15 Frenchman in a grubby vest (4)
18 Is the French word for it spelt without the S? Yes (4)
20 In grave trouble, certainly in a pickle (7)
23 Relation who takes the pledge (5)
24 Unusually long title to describe "The Wages of Sin"? (3,6)
26 It's poisonous, thanks to natural mutation (9)
27 It has to go into the barn (5)
28 Mass commercial for crackers (3)
29 The German assembly supporting bird-life (4,2,5)

DOWN

1 This class is certain to be kept in idle fashion (8)
2 Upset patent ash container (8)
3 Stayed and spoke at length on a subject (5)
4 Witty saying has some point with animals (7)
5 Quickly knock but to no avail (7)
6 Always go for this type of growth (9)
7 A sure thing, one might say? (6)
8 The bay of the hounds? (6)
14 Caught sight of rescinded order (9)
16 He causes trouble in a washing machine perhaps (8)
17 In smiles the German shows teeth (8)
19 Mince pie and preserve for a gourmet (7)
20 A burning issue may result from it (7)
21 The fashion trade (6)
22 Kept a record that's scratched (6)
25 A sign that your car's not working? (2,3)

Solution to Puzzle No.8,072



WORLD STOCK MARKETS

CANADA

INDICES

NEW YORK

DOW JONES	Feb 8	Feb 5	Feb 4	Feb 3	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3437.54	3442.14	3416.74	3373.79	3442.14 (5/2/93)	3136.58 (9/10/92)	3442.14 (5/2/93)	41.22 (2/7/32)
Home Bonds	105.44	105.70	105.57	105.27	105.70 (5/2/93)	98.41 (20/3/92)	105.10 (5/2/93)	54.99 (1/10/81)
Transport	1589.81	1565.58	1570.54	1542.48	1589.61 (8/2/93)	1204.40 (26/8/92)	1589.61 (8/2/93)	12.32 (8/7/32)
Utilities	233.29	233.73	234.16	232.04	234.16 (4/2/93)	200.74 (8/4/92)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3472.94 (3463.21) Low 3409.91 (3391.82) (Theoretical♦)
Day's High 3456.19 (3443.22) Low 3423.17 (3410.80) (Actual♦)

STANDARD AND POOR'S

	Feb 8	Feb 5	Feb 4	Feb 3	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	447.85	448.93	449.56	447.20	449.56 (4/2/93)	394.50 (8/4/92)	449.56 (4/2/93)	4.40 (1/6/32)
Industrials	517.28	518.41	518.43	516.82	518.43 (4/2/93)	470.81 (8/4/92)	518.43 (4/2/93)	3.62 (21/6/32)
Financial	43.79	43.98	44.32	43.70	44.32 (4/2/93)	32.40 (8/4/92)	44.32 (4/2/93)	8.64 (1/10/74)
NYSE Composite	247.07	247.60	247.98	246.45	247.98 (4/2/93)	217.92 (8/4/92)	247.98 (4/2/93)	4.46 (25/4/42)
Amex Mkt. Value	417.15	416.58	415.51	414.89	418.99 (12/2/92)	364.85 (9/10/92)	418.99 (13/2/92)	29.31 (9/12/72)
NASDAQ Composite	698.44	700.98	708.85	708.67	708.85 (4/2/93)	547.84 (25/6/92)	708.85 (4/2/93)	54.87 (31/10/72)

	Feb 5	Jan 29	Jan 22	year ago (approx.)
Dow Industrial Div. Yield	3.01	3.13	3.18	2.87
	Feb 3	Jan 27	Jan 20	year ago (approx.)
S & P Industrial div. yield	2.48	2.51	2.60	2.58
S & P Indl. P/E ratio	27.44	26.98	28.62	25.43

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
First Interstate	5,239,800	54	+ ⅛
Gen Motors	3,600,600	38⅝	+ 1
East Kodak	3,422,600	53¼	+ 2¼
Merck	3,041,700	38⅝	+ ¼
IBM	2,579,700	52⅞	+ ⅞
Chrysler	2,538,200	40½	- ⅛
Calif Fed	2,477,000	4⅛	- ⅛
Glaxo	2,192,100	18	+ ⅛
Pfizer	1,983,600	62¼	- ½
Citicorp	1,943,900	26	- ⅛

TRADING ACTIVITY

† Volume Millions	Feb 8	Feb 5	Feb 4
New York SE	240.350	324.384	348.080
Amex	18.053	18.258	22.421
NASDAQ	(u)	259.039	241.792
NYSE			
Issues Traded	2,473	2,458	2,472
Rises	936	899	1,339
Falls	947	1,018	609
Unchanged	590	541	524
New Highs	137	204	359
New Lows	11	14	14

CANADA

TORONTO	Feb 8	Feb 5	Feb 4	Feb 8	1992/93 HIGH	1992/93 LOW
Metals & Minerals	2927.82	2900.02	2862.59	2808.54	3238.87 (16/1/92)	2529.91 (11/11/92)
Composite	3384.83	3377.81	3366.40	3344.03	3666.00 (16/1/92)	3195.40 (14/10/92)
MONTREAL Portfolio	1767.00	1757.19	1762.08	1752.47	1937.59 (16/1/92)	1663.16 (14/10/92)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). The New York and Canada indices in yesterday's edition were for the 5th, 4th, 3rd, and 2nd of February, not as shown.

M.S. Capital Ind.(1/1/70) $	503.0*	504.6	504.5	502.5
Euro Top-100 (26/6/90)	911.97	917.00	915.55	903.74

**Saturday February 6: Taiwan Weighted Price: 3,645.41, Korea Comp Ex. 671.42
♥ Subject to official recalculation.
GMT

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., ... 1,000, JSE Gold - 255.7, JSE 20 Industrials - 264.3 and Australia All Ordinary and Mi...

TOKYO - Most Active Stocks
Tuesday, 9th February, 1993

	Stocks Traded	Closing Prices	Change on day
Isuzu Motor	5.8m	374	-7
Citizen Watch	4.3m	856	
Nissan Chem Ind	2.8m	750	-5
Npn Steel Corp	2.7m	296	-1
Nissan Motor	2.2m	637	-5
Oki Electric Ind	2.1m	395	-15
Koa Denko	1.9m	925	-24
Marui	1.9m	1,250	+10
Hitachi	1.9m	707	-14
Green Cross	1.8m	1,200	-10

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close February 9

1992/93 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

Continued on next page

NYSE COMPOSITE PRICES

1992/93 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous page										
22⅝	14⅞	Ruddick	0.24	1.1	16	259	21⅛	21⅜	21½	
37	16	RussBerrie	0.70	2.7	6	654	27¼	25¾	26	
40⅝	27¾	Russell Cp x	0.38	1.0	17	156	36¾	35⅜	35¾	-1⅛
32¼	19⅝	Ryder Syst	0.60	2.0	22	3093	31⅜	30¼	30⅝	-1⅛
26	16½	Ryland Grp	0.60	2.9	12	770	21⅛	20½	20½	-½
- S -										
21	18⅞	S Anita Rt	1.36	7.0	28	404	18⅞	19⅛	19⅝	
19¾	13⅛	SCOR US Cp	0.26	1.4	16	34	19⅝	19⅝	19⅝	
28½	10	SPS Techno	1.28	5.9	35	83	22⅜	21¾	21⅞	-¼
15⅛	12⅛	Sabine Rt 4	1.25	9.4	16	282	13¼	13	13¼	-1¼
11⅞	7¾	Safecard	0.10	1.0	14	284	10½	10⅜	10½	
23½	11⅜	Safeg'd Sc			9	136	20¼	19⅞	19⅞	
32¼	22⅝	SafetyKln	0.36	1.6	28	3578	23⅛	u22⅞	22½	-⅛
20¼	9⅝	Safeway			46	1679	10¼	15⅛	13⅛	
4⅝	2	SafewayW96				62	2⅝	2½	2½	
41⅞	29⅞	StJoePaper	0.20	0.5	44	110	38¾	38¾	38⅝	
34¾	28⅞	StJoeL&P x	1.76	5.3	14	24	33⅛	33	33⅛	+⅛
83¼	66½	St Paul's	2.80	3.4	21	633	u83¼	82¾	82¾	-½
10	2⅞	Salant Crp			6	180	6⅛	8½	9½	+⅛
76	61⅞	Sallie Mae	1.20	1.8	15	5224	67¼	66	66	-1¾
14⅝	13	Salomon Br x	0.60	4.6		488	13½	13⅜	13⅜	
41½	26¾	Salomoninc	0.64	1.6	0	1374	41⅞	41	41¼	-⅛
25¼	21¼	SanDgo G&E	1.44	5.7	14	663	25⅛	24⅞	25⅛	-⅛
4⅞	2⅜	SantaFeEDu	0.40	10.7	41	60	4	3¾	3¾	-¼
9⅞	7	SantaFeERs	0.19	1.7	137	482	u9⅞	9⅝	9⅝	
39¾	30¾	SantaFePac	2.80	7.4	13	42	28	37⅝	37⅝	-¼
15⅛	10⅝	SantaFeSth	0.16	0.7	43	3875	14¾	14½	14¾	+⅜
32½	27	Sara Lee	0.58	2.0	21	4970	28¾	28⅝	28½	-¼
44¾	38⅝	Scana Corp	2.68	6.2	16	164	43¾	43⅜	43½	-¼
47⅝	40¼	Scecorp	2.00	6.0	14	1646	40½	40¼	40½	-⅛
36⅞	22⅛	SchererRP			27	409	30⅞	30⅝	30⅝	-⅛
[illegible]										

- T -

- U -

- V -

- W -

- X - Y - Z -

NASDAQ NATIONAL MARKET

4 pm close February 9

- D -

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- X - Y - Z -

AMEX COMPOSITE PRICES

4 pm close February 9

FINANCIAL TIMES Wednesday February 10 1993

AMERICA

Weak foreign bourses undermine equities

Wall Street

LOSSES on overseas equity markets, weaker domestic bond prices and continued consolidation of recent gains left US stocks weaker across the board yesterday, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was down 13.23 at 3,424.31. The more broadly based Standard & Poor's 500 was also lower at the half way stage, down 1.98 at 445.67, as were the Amex composite, down 1.81 at 415.35, and the Nasdaq composite, down 3.27 at 695.17. Trading volume on the NYSE was 138m shares by 1 pm.

Picking up where they left off late on Monday, US investors began selling stocks yesterday morning. News of weakness in foreign markets, including Tokyo, Frankfurt and, especially, London, set the tone for a downbeat opening.

Lower US Treasury prices – a nervous reaction ahead of the week's big auctions of government securities – and some profit-taking in the wake of last week's record-setting gains only exacerbated the downward trend.

Among individual stocks, the last batch of fourth quarter earnings reports trickled in. Whirlpool jumped $2½ to $51¼ in busy trading after the company unveiled final quarter 1992 net income of $62m, up from $40m a year ago in spite of a pre-tax restructuring charge of $18m. Whirlpool also announced that its financial unit would be withdrawing from its aerospace and most of its commercial financing activities.

Goodyear Tire & Rubber eased $⅞ to $71⅞ on news of a small improvement to $102.8m in fourth quarter income, before extraordinary items. After accounting for the early retirement of debt, however, Goodyear's net income dropped from $105m a year ago to $87.5m – a figure in line with market expectations.

Sears, Roebuck held firm at $49⅞ in solid two-way trade after the giant retailing group announced a net loss of $1.8bn in the fourth quarter in the wake of a number of significant special items. If the impact of those items were ignored, Sears' income from continuing operations rose from $433.6m a year ago to $504.2m.

News Corporation jumped $1⅞ to $40⅞ on the news that the multinational media and entertainment group's operating income for the second fiscal quarter had risen from $7 cents a share a year ago to 91 cents a share.

Among leading industrial stocks, IBM bucked the trend, rising $1⅛ to $54⅞ in volume of 1.7m shares, making it the most heavily traded stock of the morning session. Other big computer stocks were also firmer, with Digital Equipment up $1⅛ at $43⅞, Compaq $⅞ higher at $49⅞ and Hewlett-Packard up $⅛ at $67⅞.

Canada

TORONTO recovered from early weakness at midday as optimism over falling rates and an economic recovery lifted shares. The TSE-300 index rose 2.37 to 3,397.20 in 36m shares.

News that the Bronfman-controlled Noranda Forest had spun off its stake in MacMillan Bloedel took Noranda Inc, the leading stakeholder in Noranda Forest, C$1⅞ higher to C$19 in heavy turnover of 1.95m shares, while MacMillan slid C$⅜ to C$16⅞ in 1.19m shares.

EUROPE

Stockholm takes comfort from Ericsson

ERICSSON gained 9.4 per cent yesterday after releasing 1992 results which exceeded most analysts' forecasts, *writes Our Markets Staff.*

STOCKHOLM took new life after the Ericsson results, lifting the B shares by SKr18 to SKr209 and the Affärsvärlden General index by 4.2 to 948.9. Turnover was SKr1bn after SKr1.2bn on Monday, with Ericsson accounting for some SKr341m.

Profit-taking affected some other issues after recent gains: Volvo B lost SKr1 to SKr385 and Skanska B fell SKr3 at SKr68. Electrolux B improved SKr6 to SKr224.

OSLO rose 3.1 per cent to its highest close of the year as investors were encouraged by lower interest rates. The all-share index rose 12.33 to 401.86 in turnover of NKr456.8m.

Hafslund, which reported good 1992 earnings on Monday, advanced NKr6.50 in the B shares to NKr151.00.

COPENHAGEN extended its slide, depressed by high interest rates, the KFX index losing another 1.36 to 82.10. Den Danske Bank fell DKr6.27 to DKr285 after solid gains in recent weeks and Sophus Berendsen was DKr13 lower at DKr416, affected by the fall in sterling. HELSINKI closed higher on a fall in domestic interest rates, the Hex index rising 11.8 to 911.0.

FT-SE Actuaries Share Indices

February 9 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1125.86	1126.30	1126.32	1124.99	1126.04	1125.99	1124.93	1124.14
FT-SE Eurotrack 200	1180.11	1179.78	1179.10	1177.43	1177.97	1177.46	1176.17	1177.40

	Feb 8	Feb 5	Feb 4	Feb 3	Feb 2
FT-SE Eurotrack 100	1131.12	1129.52	1113.35	1097.03	1089.43
FT-SE Eurotrack 200	1190.15	1189.21	1183.60	1171.25	1155.59

Base value 1000 (26/10/90) High/day: 100 - 1126.58; 200 - 1181.19 Low/day: 100 - 1123.73 200 - 1173.84

FRANKFURT eased, but chemicals improved as the DAX index closed 5.58 lower at 1,641.58 in turnover down from DM6.4bn to DM5.8bn.

BASF, the neglected stock among the big three over the past year or two, led the sector yesterday with a rise of DM2.40 to DM227, Bayer adding DM1.10 to DM275.60 and Hoechst a modest 30 pfg to DM261.30.

Hoare Govett said this week that BASF had "considerable potential" for a positive dividend surprise, and cyclical recovery prospects but that Hoechst, even with its large US operations, was overvalued after a long run of relative strength on the dollar.

Meanwhile, AMB defied the ebb in financials with a rise of DM15 to DM885 taking its gain to DM100 this month. Mr Bob Yates at Fox Pitt said that speculation about AMB's ownership structure, 29 per cent with AGF of France ("in the driving seat") and 20 per cent with Fondiaria in Italy, ignored the perils of being in a German minority.

PARIS weakened further with Eurotunnel, down FFr1.15 to FFr37.70 on profit-taking, continuing to be the most active stock. The CAC-40 index finished down 10.68 at 1,894.05 in turnover of FFr2.8bn.

Havas rose FFr9.50 to FFr439.00 with two large blocks totalling 250,000 shares going through the market: there was speculation that Lyonnaise-Dumez, down FFr4.90 at FFr425.20, might have been selling part of its stake.

Chargeurs improved FFr7 to FFr1,369 on news that it might increase its stake in BSkyB, the UK satellite operator, and Bouygues shed FFr6 to FFr634 on taking a 26 per cent shareholding in a South African building group.

Axa, which fell sharply after it announced a FFr3.6bn convertible bond issue after the Monday's close, lost FFr28 to FFr1,114, while Total slipped FFr3.70 to FFr235.60 on 1992 figures which were generally in line with expectations.

ZURICH consolidated after last week's gains and the SMI index eased 1.5 to 2,135.7.

Nestlé bearers were unchanged at SFr1,085 as it announced the sale of parts of its Perrier mineral water operations to SAI, French parent company of the Castel group.

MILAN marked time after its recent strong run as trading fell off ahead of the close of the monthly trading account next Monday. The Comit index fell 4.14 to 499.68. Fiat set the tone, fixing L163 lower at L4,686 and falling to L4,615 after hours.

Banco di Roma, L44 higher on Monday, rose another L39 to fix at L2,049 before trading up to L2,060 amid renewed speculation about the bank's privatisation.

AMSTERDAM saw currency sensitive stocks fall back as the CBS General index closed down 0.1 at 97.9. Elsevier and Unilever were affected by weaker sterling, declining by Fl 2.10 and Fl 1.20 respectively to Fl 126.00 and Fl 195.40.

Akzo and DSM reversed the trend with gains of Fl 1.20 and Fl 1.50 respectively to Fl 144.80 and Fl 74.90.

MADRID dropped on gloomy economic news and futures-related selling. The general index lost 4.14 to 235.03, reflecting profit-taking after last week's gains, and higher unemployment and lower economic growth.

ATHENS put on another 5 per cent with the banking sector leading the way, mainly on strong domestic buying. The index rose 48.44 to 882.07 in turnover estimated at some Dr5.6bn, up from Monday's Dr3bn and well ahead of the average daily figure of Dr1bn.

TEL AVIV closed sharply lower in active trading in reaction to comments by the Bank of Israel governor, Mr Jacob Frenkel, warning that the market was a "bubble". The blue chip index fell 4.6, or 2.2 per cent to 213.37, its first loss after seven consecutive gains.

Seoul awaits new stimuli after late rally in 1992

John Burton *on the recent recovery in South Korea*

The recent cut in South Korea's official interest rates is expected to have mixed effects on the Seoul equity market this year.

Most analysts believe that the cut will lay the foundation for a recovery in the second half of the year as economic conditions improve, although it will not match the gains which the market has achieved in the past six months.

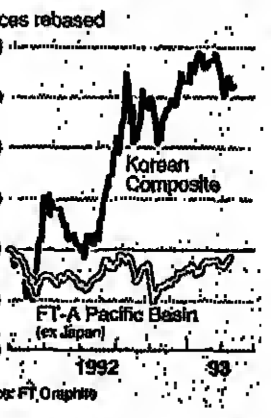
The immediate result has been profit-taking, and a fall in the Korea composite index from a January 9 high of 709.77 to yesterday's 675.23. The market had already anticipated the interest rate cut, rising by 55 per cent from last year's low.

The rise in share prices also reflected investor confidence in the country's political stability following the mid-December election of Mr Kim Young-sam of the ruling Democratic Liberal Party as the country's next president. Expectations that the economy will rebound this year after a dismal 1992 was another reason for the advance.

There are predictions that the market will reach the 800-point level later this year after a sluggish first half. "The recent downturn in share prices is natural given the highly speculative nature of the Seoul market," says Mr Andrew Holland, research director for Barclays de Zoete Wedd in South Korea, but falling interest rates are expected to encourage the placing of more funds in the liquidity-driven equity market, as bonds become less lucrative.

More foreign money is also expected to flow into the Seoul bourse if the government keeps its promise of increasing the foreign investor ceiling from the current 10 per cent to 15 or 20 per cent later this year. The foreign shareholding limit has been filled for about 10 per cent of the 691 companies listed on the exchange.

Foreigners made a net investment of $2.07bn in the market in 1992, the first year the bourse was open to direct investment from abroad. Foreign investment could double this year due to the expanded foreign shareholding quota; in January, at $476m, it reached



Source: FT Graphite

its highest ever monthly total.

The relaxation on foreign investment controls should coincide with an improvement in earnings, as lower interest rates reduce the financial costs of Korea's overleveraged companies. The Ministry of Finance estimates that falling interest rates will reduce total corporate financial expenses by Won3,000bn ($3.7bn); analysts predict that earnings will increase by 10 to 20 per cent.

The interest rate cut is considered a preliminary step to several stimulative measnres the new government will take this year to hoost economic growth. Officials hope to achieve GNP growth of 6 per cent in 1993, against an estimated 4.5 per cent last year, the worst economic performance since the 1980 recession.

Several large infrastructure projects could boost the share price of construction stocks, while lower interest rates may benefit financial shares.

Investor interest in small and medium-sized companies is expected to recover: the state plans to provide more credit to these concerns to prevent a further wave of the bankruptcies which reached a near-record level last year.

Bank shares may also be bolstered as the government unveils proposals in mid-year about a restructuring of the financial industry, which could include plans for bank mergers.

Analysts warn, however, that the bourse is likely to peak at around 800, as institutional investors sell a large overhang of securities which they acquired in 1990 when the market was last at that level.

An administrative guideline introduced last August – requiring institutional investors to buy more stock than they sell – has so far prevented them from disposing of their share surplus. But this market-boosting measure is unlikely to be extended by the government past May or June.

An expected increase in share offerings to take advantage of an expiring corporate tax deduction could also soak up liquidity and depress prices.

Another possible adverse factor is interest rate deregulation. Most lending and deposit rates are scheduled to be freed this year, which is expected to drive up interest rates in the short term. Although industry generally considers intarest rate reform essential to its future prosperity, the immediate effect may be to curb the market's climb.

ASIA PACIFIC

Japanese exporters sold after rise in yen

Tokyo

A SHARP rise in the yen against the dollar prompted selling in export-related issues and share prices lost ground as cautious investors refrained from activity, *writes Emiko Terazono in Tokyo.*

The Nikkei average shed 259.46 to 17,022.27, having opened at the day's high of 17,261.56. The index recorded the day's low of 16,976.72 on investment trust and arbitrage selling in the afternoon before recovering to the 17,000 level on buying by corporate investors at the end of the session.

Volume declined to 190m shares from 203m. Losers led gainers by 769 to 183, with 165 issues unchanged. The Topix index of all first section stocks lost 13.49 to 1,296.10 and, in London, the ISE/Nikkei 50 index eased 0.92 to 1,046.93.

Equities initially met selling from investment trusts and arbitrageurs, before the yen jumped against the dollar on reports that Mr Fred Bergsten, director of the Institute for International Economics, of the US, had said at a seminar in Kyoto that the desirable range for the yen was Y100 to Y110 against the dollar. Reports that European Community leaders were calling for a reduction in Japan's trade surplus also accelerated buying of the yen.

The currency rose to an intraday high of Y121.95 against the dollar, before closing at Y122.35. The dollar fell below the Y122 level for the first time since October 28 last year.

Isuzu Motors, the day's most active issue, slipped Y7 to Y374 on profit-taking by dealers, while shares bought on the "restructuring theme" also declined as investors took profits: Oki Electric receded Y15 to Y395 and Nissan Chemical retreated Y5 to Y750.

High-technology exporters lost ground on earnings worries due to the higher yen. Fujitsu weakened Y12 to Y547, NEC Y15 to Y637 and Hitachi Y14 to Y707.

Uni-Charm, leading diaper maker, appreciated Y20 to Y1,730 on hopes of a 40 per cent rise in pre-tax profits for the current year to March.

Dainippon Screen, a precision machinery maker, posted its third consecutive advance, rising Y13 to Y553. Individual investors sought the issue on hopes of strong sales for its semiconductor manufacturing equipment and liquid crystal displays.

In Osaka, the OSE average dipped 164.97 to 18,496.56 in volume of 59.5m shares.

Roundup

TRADING was quiet throughout much of the region, although Sydney provided a bright spot.

AUSTRALIA moved sharply higher after Prime Minister Paul Keating announced plans to cut company tax from 39 per cent to 33 per cent; subsequent profit-taking pared the gains.

The All Ordinaries index, which rose 50 points to a six-month intraday high of 1,609 on the government's statement, ended 24.5 up at 1,583.9 in heavy turnover of A$496.6m.

The other highlight of trade was an A$1.20 rise by News Corporation at A$29.90 after touching a record A$31.18 on announcing interim net profits up 27.5 per cent.

HONG KONG saw some early excitement which took the Hang Seng index more than 20 points higher on reports, subsequently denied, that China and Britain would resume talks on the colony's future next month.

Later trading lacked impetus and the index eased back to end just 2.57 ahead at 5,789.52 in thin volume of HK$1.57bn.

SINGAPORE was modestly firmer after a quiet day as investors awaited details of the government's proposed goods and services tax, announced after the market closed.

The Straits Times Industrial index gained 8.79 at 1,524.52 as late bargain hunting reversed early losses.

KUALA LUMPUR edged lower on profit-taking after the recent surge. The composite index lost 1.63 to 639.97.

A two-day meeting of Malaysia's hereditary rulers, beginning today, over constitutional amendments to remove their legal immunity also made investors cautious.

Technology Resources rose 30 cents to M$2.09 in turnover of 35.4m shares after news that it will distribute shares in its Malaysian Helicopter unit free to shareholders.

BOMBAY climbed again on speculative pre-budget buying, the BSE Index finishing 59.53 stronger at 2,771.68.

SOUTH AFRICA

CONTINUED foreign demand for gold shares helped to underpin a broad Johannesburg advance and the golds index climbed 23 to 891. The overall index rose 22 to 3,474 and industrials moved ahead 27 to 4,609.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY FEBRUARY 8 1993								FRIDAY FEBRUARY 5 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992/93 High	1992/93 Low	Year ago (approx)
Australia (68)	122.10	+0.7	125.75	95.66	105.03	121.06	+1.2	4.01	121.24	124.22	95.30	104.29	119.67	153.66	108.18	141.93
Austria (18)	140.98	+0.4	145.20	110.46	121.27	121.07	+0.1	1.85	140.43	143.93	110.42	120.84	120.98	186.70	131.16	161.38
Belgium (42)	140.13	-0.3	144.33	109.79	120.53	117.84	-0.3	5.15	140.56	144.02	110.48	120.90	118.20	162.27	131.19	143.91
Canada (113)	118.91	+0.1	120.41	91.59	100.55	107.04	+0.4	3.09	116.78	119.85	91.79	100.45	108.64	142.12	111.36	137.78
Denmark (33)	203.48	-1.2	209.57	159.43	175.03	174.49	-1.3	1.57	205.90	210.96	161.85	177.11	176.77	273.94	181.70	266.61
Finland (23)	66.83	-2.0	66.83	52.37	57.49	80.93	-0.6	1.74	68.23	69.81	53.63	58.69	81.40	89.80	52.84	89.82
France (98)	150.27	-0.2	154.78	117.73	129.24	131.94	-0.2	3.41	150.57	154.27	118.34	129.50	132.15	168.75	136.93	153.96
Germany (62)	109.34	+0.4	112.51	85.68	94.05	94.05	+0.4	2.43	108.89	111.56	86.60	93.66	93.66	129.69	101.59	121.79
Hong Kong (55)	231.20	+0.8	238.12	181.14	198.88	229.50	+0.9	3.93	229.11	234.75	180.08	197.09	227.48	262.28	176.36	196.74
Ireland (16)	134.85	-1.0	138.89	105.66	115.89	128.95	-1.3	4.12	136.22	139.57	107.07	117.17	130.70	173.71	122.98	170.88
Italy (76)	61.78	+0.8	63.63	48.40	53.14	70.41	+0.7	2.95	61.29	62.80	48.17	52.72	69.91	80.86	47.47	79.32
Japan (472)	106.08	+0.4	109.26	83.12	91.26	83.12	+0.1	1.00	105.65	108.24	83.04	90.89	83.04	140.95	87.27	125.28
Malaysia (69)	268.60	-0.2	276.64	210.44	231.04	271.91	-0.2	2.45	269.17	275.79	211.57	231.52	272.49	282.42	212.49	243.81
Mexico (18)	1572.02	+0.0	1619.07	1231.69	1352.20	5326.43	+0.0	1.13	1572.02	1610.68	1235.66	1352.20	5326.43	1789.77	1185.84	1553.83
Netherland (25)	156.15	+0.7	160.83	122.35	134.32	132.67	+0.7	4.29	155.01	158.82	121.84	133.34	131.70	169.70	147.88	156.66
New Zealand (13)	43.41	+0.7	44.70	34.01	37.34	45.20	+1.2	4.84	43.11	44.17	33.88	37.09	44.67	48.62	37.39	44.93
Norway (22)	138.77	-0.6	142.93	108.73	119.37	131.99	-0.5	1.83	139.83	143.06	109.75	120.11	132.66	192.85	128.05	180.69
Singapore (38)	217.83	-0.8	224.35	170.67	187.37	165.73	-0.8	1.99	219.63	225.03	172.64	188.92	167.10	229.63	179.85	226.61
South Africa (60)	184.75	-0.1	169.68	129.08	141.71	165.95	-0.8	3.04	164.98	168.03	129.67	141.90	167.34	263.60	134.21	242.69
Spain (47)	129.18	-0.3	133.02	101.20	111.10	114.82	+0.2	5.29	129.54	132.73	101.83	111.43	114.62	181.72	107.10	159.98
Sweden (36)	157.99	+1.1	162.72	123.79	135.90	174.48	+1.5	2.35	156.23	160.08	122.81	134.39	171.85	200.28	149.89	164.26
Switzerland (56)	111.81	-0.1	114.85	87.46	96.02	106.01	+0.3	2.02	111.68	114.43	87.79	96.08	105.69	122.37	95.99	103.42
United Kingdom (226)	166.70	-0.3	171.69	130.80	143.36	171.69	+0.2	4.34	167.24	171.35	131.44	143.84	171.35	200.07	161.86	184.78
USA (522)	182.97	-0.3	188.45	143.37	157.39	182.97	-0.3	2.78	183.43	187.95	144.19	157.79	183.43	183.74	160.92	166.80
Europe (780)	138.92	+0.0	141.02	107.28	117.78	130.33	+0.2	3.62	136.97	140.34	107.66	117.82	130.02	156.68	131.31	149.93
Nordic (114)	146.85	+0.2	151.24	115.06	126.31	143.49	+0.5	2.07	146.62	150.23	115.25	126.12	142.78	188.52	141.24	185.71
Pacific Basin (715)	110.88	+0.4	114.20	86.88	95.38	88.88	+0.2	1.35	110.41	113.12	86.79	94.97	88.73	141.97	93.70	127.99
Euro - Pacific (1495)	121.41	+0.2	125.04	95.12	104.43	105.34	+0.2	2.39	121.15	124.13	95.22	104.20	105.12	146.21	113.80	137.05
North America (635)	178.88	-0.2	184.23	140.17	153.89	177.83	-0.2	2.77	179.31	183.72	140.98	154.26	176.24	179.56	158.70	166.82
Europe Ex. UK (554)	110.45	+0.2	121.98	92.82	101.91	107.52	+0.3	3.13	118.26	121.17	92.97	101.74	107.23	132.88	111.33	128.74
Pacific Ex. Japan (243)	157.96	+0.5	162.68	123.78	135.88	147.76	+0.7	3.81	157.15	161.02	123.54	135.19	146.75	175.31	148.06	154.76
World Ex. US (1686)	122.63	+0.2	126.30	96.09	106.49	107.34	+0.2	2.41	122.38	125.39	96.20	105.27	107.13	146.91	115.99	139.12
World Ex. UK (1982)	139.65	+0.0	143.83	109.42	120.14	126.55	+0.0	2.38	139.59	143.02	109.73	120.08	126.58	150.58	127.21	144.59
World Ex. So. Af. (2145)	141.96	+0.0	146.21	111.24	122.12	130.18	+0.0	2.56	141.95	143.44	111.59	122.11	130.17	153.05	130.04	147.47
World Ex. Japan (1736)	162.30	-0.1	167.15	127.15	139.63	158.25	+0.0	3.06	162.51	166.51	127.75	139.61	156.30	165.40	151.93	161.52
The World Index (2208)	142.01	+0.0	146.26	111.27	122.18	130.53	+0.0	2.56	142.00	145.50	111.62	122.16	130.53	153.70	130.66	148.08

Latest prices were unavailable for this edition.